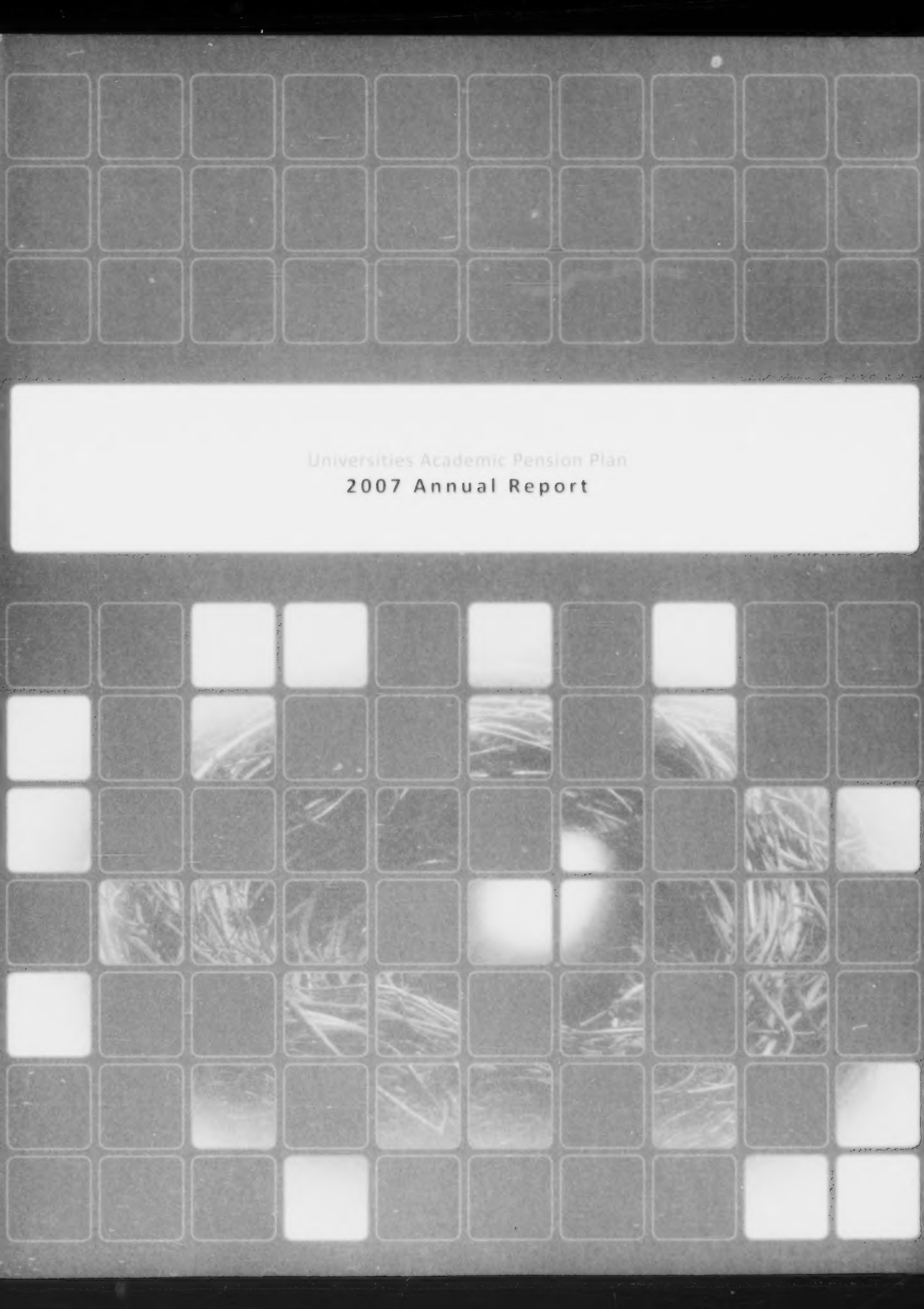
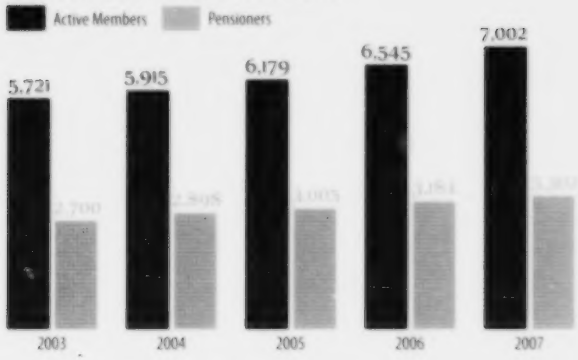


Universities Academic Pension Plan

2007 Annual Report

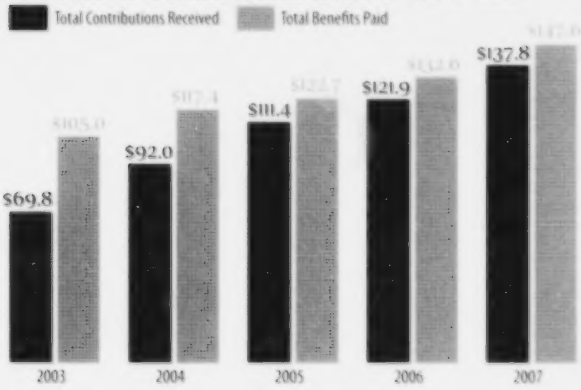
PLAN HIGHLIGHTS

MEMBER AND PENSIONER STATISTICS



ASSETS AND LIABILITIES *($ millions)*

CONTRIBUTIONS RECEIVED AND BENEFITS PAID *($ millions)*



ASSETS & LIABILITIES SUMMARY *($ millions)*

As at December 31

	2007	2006
Net investments	$ 2,502	$ 2,466
Net receivable	8	11
Net assets	2,510	2,477
Actuarial adjustment for fluctuation in fair value of net assets	17	(172)
Actuarial value of net assets	2,527	2,305
Actuarial deficiency	536	409
Accrued pension liability	$ 3,063	$ 2,714

PROFILE

The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre for Continuing Education. The UAPP was set up under the Public Sector Pension Plans Act (Alberta) and the Provincial Treasurer was the trustee until December 31, 2000.

The UAPP became an independent pension plan registered under the Employment Pension Plans Act (Alberta) and the Income Tax Act (Canada) as of January 1, 2001. The UAPP is now established under the Sponsorship and Trust Agreement signed by the academic staff associations and the boards of governors of four Alberta universities and The Banff Centre for Continuing Education as Sponsors.

- The Board of Trustees, as established under the Sponsorship and Trust Agreement, became the Trustee of the UAPP as of January 1, 2001.
- The UAPP has approximately 7,000 active members, 1,080 deferred members and 3,300 pensioners.
- The UAPP Fund's market value at the end of 2007 was $2,510 million.

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BOARD COMPOSITION

The Board of Trustees (Board) of the UAPP oversees the Plan. The Board is composed of five employer trustees and four employee trustees. However, the total votes carried by the employer trustees are the same as the votes carried by the employee trustees. The offices of Chair and Vice-Chair alternate every two years between employer and employee trustees.

BOARD MANDATE

The Board is responsible for administration of the UAPP, investment of UAPP funds, setting contribution rates required to fund the UAPP and assisting Sponsors in developing appropriate changes to the UAPP. In carrying out its mandate, the Board is assisted by a small management team.

MISSION

It is the mission of the Board to deliver on its mandate in a manner that is consistent with:

- high quality services to the UAPP and members,
- prudent investment of the Fund,
- seeking stable contribution rates within the funding requirements of the EPPA,
- best practices in pension plan governance and management, and
- all applicable rules, laws and regulations.

VALUES

In carrying out its mission, the Board is guided by the following values:

- work in full partnership with Sponsors,
- be member/stakeholder focused,
- be open, accountable and responsible for its actions,
- conduct UAPP business with trust, fairness and integrity,
- adhere to the highest ethical standards,
- value and treat its employees as a vital resource, and
- learn, adapt and change to conduct the UAPP business better.

ADMINISTRATION SERVICES PROVIDER

ACS and Buck Consultants, an ACS Company (ACS/Buck)

MEMBER PENSION INQUIRIES

95 Wellington Street West
Toronto ON M5J 2N7
Attn: UAPP Administrator
Phone: 1-866-709-2092
Email:www.uappadmin@acs-hro.com

PENSIONER PAYROLL

CIBC Mellon Global Securities Services Company

PENSIONER PAYROLL INQUIRIES

CIBC Mellon Pension Benefits Department
PO Box 5858, Station B
London ON N6A 6H2
1-800-565-0479
www.CIBCMellon.com

INVESTMENT MANAGEMENT

Alberta Investment Management, the investment operations group of Alberta Finance

ASSET CONSULTANTS

Aon Consulting Inc.

ACTUARY

Mercer

AUDITOR

KPMG LLP

Back Row:
Dan Furgason, Eric Wang

Middle Row:
Pat Eagar, Anne Stalker,
Phyllis Clark, Virendra Gupta

Front Row:
Mike McAdam, Nancy Walker,
Mazi Shirvani

Missing:
Art Nutt

BOARD OF TRUSTEES – 2007

EMPLOYER APPOINTEES

Phyllis Clark, BA, MA
University of Alberta

Pat Eagar, CMA, MBA
Athabasca University

Michael McAdam, CA
University of Calgary

Art Nutt, CGA
The Banff Centre for Continuing Education

Nancy Walker, MBA, CA (Chair)
University of Lethbridge

EMPLOYEE APPOINTEES

Daniel Furgason, BSc
University of Lethbridge

Mazi Shirvani, PhD (Vice-Chair)
University of Alberta

Anne Stalker, B.A.(Hon.), LL.B.,(Qu.)
University of Calgary

Zengxiang (Eric) Wang, PhD
Athabasca University

EXECUTIVE DIRECTOR

Virendra Gupta, MASc, CFA

COMMITTEES OF THE BOARD

ACTUARIAL COMMITTEE

Phyllis Clark
Pat Eagar
Mazi Shirvani, Chair

AUDIT COMMITTEE

Auke Elzinga, FCA
Bill Halford, FCA
Art Nutt, Chair
Eric Wang

INVESTMENT COMMITTEE

Ron Bercov, PhD
Dan Furgason, Chair
Bob Hager, retired Chair of Phillips Hager North, Vancouver
Michael McAdam
Bob Normand, retired President & CEO of ATB Financial, Edmonton

The purpose of this Report is to provide our members a comprehensive summary of the financial and operational performance of the UAPP. The principal message of the Report is that despite the poor investment environment and a low return in 2007, the Plan is on a sound financial track; progress is being made on several fronts and your benefits are secure. The Board remains focussed on the long-term financial health of the Plan and on providing quality services to our members.

In 2007, the UAPP Fund returned 1.7%. Even though this rate of return puts the UAPP's return at the median level of balanced funds, it is much lower than the 6.7% return assumed in the recent actuarial valuation. The UAPP's average return of 14.1% over the previous four years had allowed the Fund to build up a reserve, i.e., the difference between the market value and the actuarial value of the Fund, of $172 million at the end of 2006. This helps to dampen the impact of years like 2007, when the market return on assets is below the actuarially-assumed rate of return. Consequently, the Plan's funded ratio at the end of 2007 on the basis of the actuarial value of the Fund declined only slightly from that at the end of 2006. However, that fully deploys the reserve gathered over the last four years of good markets and returns. Perhaps 2007 again reminds us of the volatility associated with capital markets and the need to diversify sources of the Fund's returns.

To check on the financial health of the Plan and keep it on a sound footing, the Board completed an actuarial valuation of the Plan as at December 31, 2006. During the process of this valuation, the Board, with the advice of the actuary, changed a number of assumptions, especially about improvements in life expectancy and near-term wage expectations, to strengthen the liability estimate. Based on the results of the valuation, the Board decided to reduce contributions to the Plan by 1% of salary as of January 1, 2008. This reduction is equally shared between members and employers. For a median member who earns around $90,000, this cut means a reduction of $450.00 per year.

The Investment Committee and the Board continued to monitor the Fund's performance and developments in the capital markets. In order to improve the Fund's return/risk profile, the Board, on the recommendation of the Investment Committee, increased the allocation to Real Estate to 8% of the total Fund and initiated a small investment equal to 2% of the Fund to absolute return strategies. These changes move the long-term allocation to alternative classes to 15% of the total Fund.

As in past years, the Board also reviewed and made a number of changes to its Statement of Investment Policies and Goals (SIP&G). The revised SIP&G is available under Publications on the UAPP's website at www.uapp.ca.

The Board renewed its contract for administration services with ACS/Buck. The Board's goal is to provide quality service to our members based on best practices and the renewed contract sets industry-leading performance standards for service. As mentioned in last year's Annual Report, the Board contracted with PricewaterhouseCoopers to undertake an administration review of the UAPP. To follow up on the review, the Board set up an ad hoc committee to assess the findings of and, where appropriate,

implement the recommendations made in the review. The Board's goal is to clarify the roles of various parties in pension administration and streamline the processes and procedures involved in the delivery of pension services. We will continue to work with pension staff at the institutions and the administration service providers to further improve service to our members.

The Board continues to work with Plan Sponsors on issues related to the Plan, particularly changes required to the Sponsorship and Trust Agreement (STA) and the unfunded liability for pre-1992 service. The Board also provides input and feedback to authorities on proposed regulatory changes.

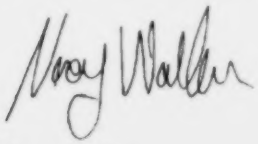
In addition to an annually revised Member Handbook and the Plan's Annual Report, we continue to publish the Communiqué quarterly to inform our members on pension matters and related issues. We are pleased that members are using our website in increasing numbers. We are moving more and more towards providing documents and information through our website and reducing the use of paper. Web-based publications not only reduce costs but also can be made available earlier and revised more easily. We continue to encourage members to access through our website the Retirement Planner that allows them to estimate their UAPP pension and potential income from other sources such as RRSPs and other savings.

On behalf of the UAPP, it is once again my pleasant task to thank Ron Bercov, Bob Hager and Bob Normand as external members on the Investment Committee, and Auke Elzinga and Bill Halford as external members on the Audit Committee, who gave generously of their time to the UAPP. At the end of 2007, Bill Halford tendered his resignation from the Audit Committee; we are grateful for the knowledge and insights he shared with the Committee over the last six years.

Our relationship with Alberta Investment Management (AIM) is critical to the effective implementation of the Board's investment policies. We want to thank Douglas Stratton, David Finstad, Gary Smith and other staff at AIM for their contributions during the year and we look forward to a cooperative and mutually beneficial relationship.

I want to thank my colleagues on the Board for their service to the UAPP and personal support and guidance to me in my role as Chair. As my term as Chair ends, I would like to welcome and extend my best wishes to Mazi Shirvani as the new Chair of the Board.

The UAPP relies on a small team to carry out its mandate and related functions. It is my great pleasure to thank our Executive Director, Virendra Gupta, and the rest of the Trustees' Office team for their excellent service and dedication to the UAPP.



Nancy Walker
Chair, Board of Trustees

FINANCIAL POSITION OF THE PLAN

The Plan's Assets

The market value of the Plan's assets was $2,510 million at the end of 2007, a small increase from the fund value of $2,477 million from a year ago. This reflects the fact that benefit payments exceeded contributions received by $7.6 million and the Fund returned only 1.7% in 2007 following the returns of 15.2% in 2006 and 14.4% in 2005. The latest actuarial valuation assumes that the Fund will earn 6.7% per year starting in 2007.

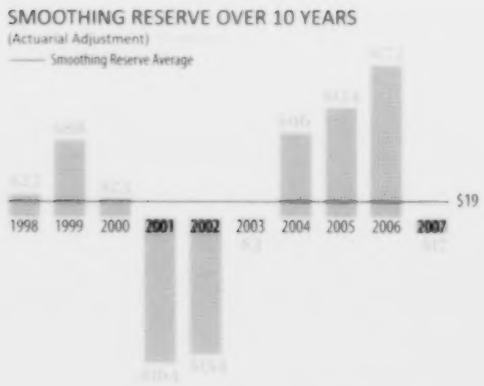
Capital markets, particularly in the second half of 2007, reacted to the US residential housing market woes that led to a re-appraisal of the credit quality of and risks associated with sub-prime mortgages and asset-backed commercial paper. As the credit concerns spread across various types of securities, public equity markets around the world gave up most of their gains from the first half of the year as market participants began to demand higher returns to off-set the potential risks. These events combined with the exceptional strength of the Canadian dollar against the world's major currencies, resulted in the Fund returning a much lower number than in the last few years.

The actuarial value of the Fund grew to $2,527 million in 2007 from $2,305 million at the end of 2006. The actuarial value of the Fund is $17.5 million higher than the market value. The Fund uses a 3-year averaging of the differences between the rates of return assumed in the actuarial valuation and the market rates of return as described in Note 2(c) of the Financial Statements for calculating the actuarial value of the assets.

In order to dampen the magnitude of changes in contribution rates, the Plan uses the actuarial value of assets in determining the funding requirements under the Employment Pension Plans Act. In better-than-expected capital markets, the Fund builds up a smoothing reserve that can be used when the markets perform below the assumed rate. The reserve of $172 million built up over the good markets of the last few years is being deployed this year in calculating the actuarial value of the assets.

	December 31, 2007			December 31, 2006		
($ millions)	Pre-92 Service	Post-91 Service	Total Service	Pre-92 Service	Post-91 Service	Total Service
Fair Value of Net Assets	1,179.3	1,330.7	2,510.0	1,240.5	1,236.8	2,477.3
Actuarial Adjustment	6.8	10.7	17.5	(90.0)	(82.2)	(172.2)
Actuarial Value of Net Assets	1,186.1	1,341.4	2,527.5	1,150.5	1,154.6	2,305.1
Accrued Pension Liability	1,687.4	1,375.9	3,063.3	1,550.0	1,164.2	2,714.2
Actuarial Deficiency	(501.3)	(34.5)	(535.8)	(399.5)	(9.6)	(409.1)
Funded Ratio on Actuarial Basis	70.3%	97.5%	82.5%	74.2%	99.2%	84.9%

SMOOTHING RESERVE OVER 10 YEARS



FUND ANNUAL RETURN OVER 10 YEARS

The Plan's Liabilities

The Plan's liability as of December 31, 2007 has been estimated at $3,063.3 million as compared to $2,714.2 million reported at the end of 2006. This represents a growth of 12.9% over the liability reported in the 2006 Annual Report. In this regard, it should be noted that last year's financial statements were based on an extrapolation of the liability estimated in the 2004 actuarial valuation. A new actuarial valuation as of December 31, 2006 was subsequently completed in September 2007.

COMPARISON OF ASSET AND LIABILITY ANNUAL GROWTH RATES

Note: Plan liability based on valuation results for even years and extrapolation for odd years.

The new valuation put the estimated liability, as of December 31, 2006, at $2,877.6 million, some $163.4 million higher than reported in the financial statements for 2006. This higher estimate of liability reflects changes in demographic and economic assumptions as well as differences between assumed and actual salary increases and rates of mortality, termination and retirement experienced in the two years since the 2004 valuation. Changes in economic and demographic assumptions in the December 2006 valuation accounted for $143.7 million of the difference between the extrapolated and the new valuation results. The assumption changes are designed to incorporate expectations based on the latest available information and evolving practices. To reflect emerging trends in capital and labour markets and other areas, the Plan undertakes a full actuarial valuation every two years and adjusts contribution rates as necessary to keep the Plan on a sound financial track.

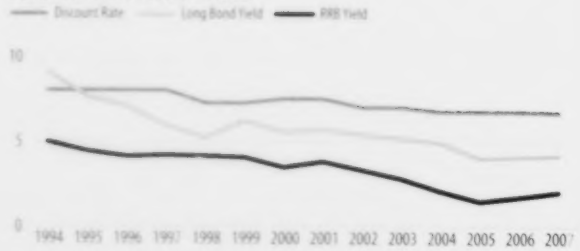
The Plan's Funded Ratio

Due to a lower-than-assumed return on assets and the increase in the liability as extrapolated by the actuary, the Plan's funded ratio on a market-value basis in 2007 declined to 81.9% from 91.3% in 2006. However, the funded ratio on an actuarial-value-of-assets basis has remained relatively close to that reported in the 2006 Annual Report, but the smoothing reserve has been drawn down in 2007. The above funding ratios do not include the amount owed to the Plan by the Government of Alberta in respect of the liability for pre-1992 service. That amount is estimated to be $220.1 million or about 7.2% of the total liability.

Looking to the Future

The UAPP is a 'final-average-salary' defined benefit plan with a guaranteed cost-of-living allowance equal to 60% of Alberta inflation after retirement. The Plan's estimated liability is a function of benefits promised by the Plan and the economic and demographic assumptions employed in an actuarial valuation. Economic assumptions have to do with the future course of inflation, salary increases, etc. and the return that the Plan's assets can reasonably be expected to earn in the future (the latter is also called the 'discount rate'). The demographic assumptions deal with such things as retirement and termination rates at different ages, life expectancy, proportion of members with a spouse, spousal age difference, etc. Since the demographic characteristics of a group generally change slowly, the assumptions related to these factors are easier to foresee and tend to move in a steadier fashion from one valuation to the next. On the other hand, the economic and financial conditions and, hence, the associated assumptions (e.g., discount rate) can be subject to greater volatility over short periods of time and their future course is much harder to foresee with certainty.

DISCOUNT RATE, LONG BOND YIELD AND REAL RETURN BOND YIELD



However, of all the assumptions employed in an actuarial valuation, the most powerful one is the assumed rate of return or the rate used to discount future benefit payments in order to estimate a present value of the liability. The discount rate assumption brings together views regarding interest rates, equity risk premium and other capital market expectations. The first block for building the discount rate assumption is the prevailing long bond rates. As can be seen from the chart above, the long bond rates have come down from over 8% in the mid-1990s to around 4% in recent years. As these rates remain low, discount rates used in estimating the present value

of liability will remain under pressure. The current actuarial valuation uses a discount rate of 6.7%. A 1% reduction in the discount rate, keeping other assumptions constant, would increase the annual current service costs by 3.5% and increase the estimate of the Plan's accrued liability by $391.5 million or 12.8%.

Expected future wage growth is another important factor in estimating the Plan's liability as the UAPP's benefits increase with the increases in salaries. To make the salary growth assumption realistic, in calculating the Plan's liabilities, the known and expected salary growth for the near-term is built into the assumptions before applying the assumptions for the long-term course of salaries. However, since Alberta's economy continues to experience strong wage growth, this assumption will require ongoing review.

In terms of demographic assumptions, the 2006 actuarial valuation built in improvements in life expectancy based on the year of birth. This is in line with evolving best practices in this area. However, it too will have to be assessed as new data on improvements in life expectancy becomes available.

In summary, the assumptions underlying the liability estimates in the last valuation were strengthened and the Plan's liability can be expected to grow on a steady basis.

On the asset side, the rate of return in 2007 was below the 6.7% rate assumed in the actuarial valuation, but this follows four years of double-digit returns in which the average annual compound rate of return was 14.1%, well above expectations.

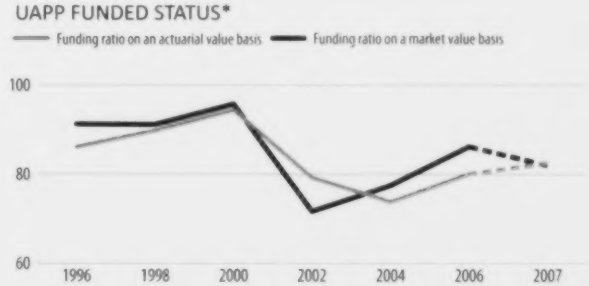
The 2007 return perhaps underlines the 'cyclical' nature of the markets and serves to remind us that a portfolio is never without its risks, especially in terms of short-term performance. Market corrections can 'come out of nowhere', and can be triggered by economic, geopolitical or other events. The returns on the Fund can be expected to reflect the volatility associated with the markets it participates in.

Given that the discount rate (6.7%) used by the Plan is substantially higher than the current long bond rates, the Fund has to take equity market risk to seek higher returns relative to bonds in order to keep the long-term costs of the Plan reasonable. The UAPP holds a highly-diversified portfolio of equities, bonds and other assets such as real estate, infrastructure and timberland in an attempt to generate optimal long-term returns within prudent risk levels. The equity component is further diversified across world markets. Going forward, the Board will continue to look for opportunities to diversify further and/or add incremental return.

At the time of writing of this Report, the issues and concerns that hammered public equity markets in 2007 were continuing to impede the markets in the early part of 2008. It seems that it will take time for the markets to shake off current concerns and begin to reflect longer-term positives.

In conclusion, given the steady growth in the Plan's liability and the low interest rate environment coupled with uncertain economic outlook for the near term, the Plan's funded ratio may come under pressure in the near-term and can be expected to improve only slowly over time.

UAPP FUNDED STATUS*



*The numbers are based on a full actuarial valuation basis except for 2007, and do not include the monies owed by the Government of Alberta in respect of pre-1992 service.

The UAPP holds a highly-diversified portfolio of equities, bonds and other assets such as real estate, infrastructure and timberland in an attempt to generate optimal long-term returns within prudent risk levels.

INVESTMENT REPORT

Investment Policy Considerations

In developing the UAPP's investment policy, several key factors have to be considered.

1. The investment returns earned by the Plan's investments directly impact the size of the Plan's assets. The higher the returns, the greater the assets that will be available to make the benefit payments and potentially lower the contributions required in the long run from employers and employees to fund the Plan.
2. Asset classes with higher long-term returns tend to exhibit higher volatility (standard deviation) of returns. For example, the data for Canadian equities and long bonds over the last 80 years shows that the annual compound return for equities exceeded that of bonds by 4.2% (10.3% vs. 6.1%). However, during the same period, the standard deviation of annual returns for equities was more than twice (18.3% vs. 8.8%) as large as for long bonds.
3. In setting the discount rate to estimate the present value of future benefit payments (i.e., the liability of the Plan), actuaries are heavily influenced by the long bond rates prevailing at the time of an actuarial valuation.
4. The Employment Pension Plans Act requires the UAPP to perform an actuarial valuation at least once every three years and increase the contribution rates, if necessary, to meet the funding requirements.
5. Asset returns vary from year to year and can even be negative over short time periods. On the other hand, the Plan's liability goes up steadily from one year to the next year as members earn more service and the interest on the accumulated liability is accrued.
6. The volatility associated with equity markets can be partially offset by diversification through investment in asset classes whose returns have low correlation with equities and among themselves. Asset classes such as real estate and infrastructure, whose return profile is expected to be similar to the growth rate in liabilities, can help reduce the variability in the Plan's funded ratio.
7. Plan Sponsors and members are interested in taking advantage of the risk-sharing features of a defined benefit plan with a long time-horizon and keeping the Plan's costs manageable. Given the current yields on long bonds of around 4.0%, the Plan has to seek higher returns and take risks associated with equity investments.

The management of the Plan requires an investment approach that seeks to obtain higher long-term returns while containing the potential volatility in short-term results. This approach underlines the UAPP's investment policy and risk management measures.

Investment Policy and Risk Management

The UAPP's investment policies are based on the investment considerations, beliefs and expectations of the Board and are set out in the Statement of Investment Policies & Goals (SIP&G). The asset mix policy, or the Fund's long-term allocation to different asset classes, is a key component of the SIP&G. It is through the asset allocation decision that the Board diversifies its investments across asset classes and seeks a balance between the objective of higher long-term returns and the need to reduce shorter-term volatility in those returns.

In the process of making such a decision, the Board undertakes a periodic comprehensive Asset/Liability study for the Plan. An Asset/Liability study analyzes the risk-return profile of the existing asset mix and alternative asset mixes, including new asset classes, under different economic scenarios within the context of the Plan's liability structure. Traditionally, a comprehensive Asset/Liability study is usually done every four years or so. Between studies, the Board, through its Investment Committee, monitors on an ongoing basis the performance of the Plan, the funded status of the Plan, capital markets and economic developments and expectations. Based on this monitoring, the Board may make adjustments to the asset mix and take other appropriate measures to control risk or improve returns. The Board reviews the SIP&G at least once a year.

The table on page 10 summarizes the Board's current Long-term Target Asset Mix, Policy Asset Mix and Actual Asset Mix for 2006 and 2007. The changes in the Policy Asset Mix from one year to the next shows the progress towards the Long-term Target Asset Mix as investments in alternative classes are increased and those in public markets are correspondingly reduced. A copy of the full text of the UAPP's SIP&G is available on the UAPP website **www.uapp.ca** under Publications.

ASSET MIX

December 31, 2007	Long-term Target Asset Mix	Policy Asset Mix 2007	Policy Asset Mix 2006	Actual Asset Mix 2007	Actual Asset Mix 2006
Fixed Income					
Cash & Short-term	0.5%	0.5%	0.5%	1.0%	0.8%
Universe Bonds & Mortgages	5.0%	5.0%	5.0%	5.0%	4.9%
Long Duration Bonds	12.5%	13.0%	13.0%	13.0%	12.6%
Real Return Bonds	7.0%	8.5%	10.5%	8.4%	9.5%
	25.0%	**27.0%**	**29.0%**	**27.4%**	**27.8%**
Public Equities					
Canadian	19.5%	20.0%	20.0%	19.7%	18.4%
United States	19.0%	20.0%	20.0%	19.9%	20.8%
Europe, Australasia, Far East	19.0%	21.5%	22.0%	21.0%	22.8%
Emerging Markets	2.5%	3.0%	3.0%	3.0%	3.4%
	60.0%	**64.5%**	**65.0%**	**63.6%**	**65.4%**
Alternative Classes					
Real Estate	8.0%	6.5%	4.5%	6.5%	4.9%
Private Income	4.0%	2.0%	1.5%	2.1%	1.7%
Timberland	1.0%	0.0%	0.0%	0.2%	0.2%
Absolute Return Strategies	2.0%	0.0%	0.0%	0.2%	0.0%
	15.0%	**8.5%**	**6.0%**	**9.0%**	**6.8%**
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

As can be seen from the table above, the Plan holds a highly-diversified portfolio of investments in fixed income securities, Canadian, US and non-North American equities and other assets.

Risk Management and Control Measures

While the UAPP is focused on maintaining a prudent funding framework based on realistic assumptions and smoothing of asset values to determine the Fund's funded status and, hence, contribution rates, the risks and costs associated with the portfolio are further addressed in several ways, including:

1. **Improving diversification**. To improve the Fund's diversification, the Fund is increasingly investing in alternative asset classes such as real estate, timberland and infrastructure. These alternative investments are expected to provide relatively high cash yields and have a return profile that represents a good match to the Plan's liability growth rate and is less correlated with traditional fixed income and public equity markets. In 2007, the Board further increased the target allocation to alternative investments. The changes adopted in 2007 continue the gradual shift from publicly-traded fixed income and equities to alternative classes. The current policy is to increase the weight of alternative classes to 15% of the Fund. These increases will be in real estate and a new category, absolute return strategies. The latter category encompasses a wide variety of strategies with the objective of realizing positive returns regardless of the overall market direction. Absolute return strategies include hedge fund strategies such as convertible arbitrage, distressed securities, event-driven, equity market-neutral and merger arbitrage.

2. **Incremental adjustments**. Where necessary, adjustments are made in response to changing market conditions through either adding new strategies or adjusting the asset mix. In doing so, expertise and knowledge from a variety of sources is accessed. These sources include AIM, Aon Consulting Inc. and others. Also, the Board's Investment Committee includes both Board members and highly-experienced financial executives from the industry.

3. **Selective use of active management**. Active management is used selectively in markets where it can be expected to add value and for diversification purposes as active management returns can vary from market returns and can cushion the effect of market volatility, especially in down markets.

4. **Controlling and monitoring execution**. In addition to the risks associated with setting an asset mix, there are also risks related to implementation of the investment policy. Alberta Investment Management (AIM), the investment operations group of Alberta Finance, invests the UAPP's assets for the benefit of its members, subject to the investment policies set out in the Board's SIP&G. AIM manages the majority of the Plan's investments internally through pooled investment funds. However, in order to achieve greater diversification, access outside expertise and specialized knowledge and reduce operational complexity, some investments are managed by external investment firms selected and monitored by AIM. In total, AIM administers investment portfolios of approximately $75 billion on behalf of the UAPP and other public sector pension plans and Government of Alberta investment funds, including the Alberta Heritage Savings Trust Fund. On January 1, 2008, AIM was transferred to the newly created Alberta Investment Management Corporation (AIMCo). Now, the new crown corporation provides the day-to-day investment services to the UAPP.

5. **Evaluating investment performance**. A key assumption in calculating the Plan's liabilities is the long-term real rate of return, i.e. the return net of inflation. The estimated value of the Plan's liabilities is highly sensitive to this assumption. Over the last several valuations, the Plan's actuary has used a long-term real return rate of 4.0% in estimating the liabilities and, therefore, this number is the long-term investment return target for the Plan.

   The Plan's investment performance can also be assessed in terms of whether investment managers are adding value above their respective benchmarks.

   Finally, investment performance can be compared to other funds. This comparison is meaningful only to the extent that the funds being compared have similar investment objectives, risks and constraints and policies. A fund that is 100% invested in fixed income, for example, does not provide a valid comparison to a fund that is 100% invested in equities. As a result, these comparisons are best made at the asset class level.

   The performance of the Plan is measured against a policy benchmark return calculated using the Plan's policy allocation to each asset class and the market index return for the specific class.

6. **Keeping implementation costs low**. A long-term drain on return is the cost of investing (management fees, transaction costs, etc.) and it has been said that investing on a cost-effective basis can have the same impact over the long term as adjusting a plan's asset mix. For example, based on the last asset/liability study, to offset an increase in costs of 15 basis points, the porfolio could increase the allocation to equities by 5% which would also result in an increase of 0.57% in expected volatility. Over the years, the UAPP has used the services of AIM and has been able to take advantage of not only low cost but has also been able to access a broader array of investment opportunities.

7. **Proxy Voting**. Proxy votes represent an important tool for shareholders to encourage long-term best practices in corporate governance. The Board has delegated the responsibility for proxy voting to AIM, who uses ISS Governance Services (a division of Risk Metrics Group) for proxy advisory services and is a member of the Canadian Coalition of Good Governance (CCGG).

   ISS has over 200 analysts providing comprehensive, recommendation-based research on at least 38,000 meetings spanning more than 100 markets worldwide. ISS votes the proxy. Each proxy is subject to rigorous analysis where votes are cast solely in the interests of plan participants and beneficiaries. AIM retains the right to override ISS should votes appear to be contrary to AIM principles.

   AIM monitors the opinions of the CCGG and peer organizations regarding potentially contentious issues and the governance practices of specific companies.

2007 Markets and Investment Performance

Investment income and returns were substantially lower in 2007 compared to those in 2006. In 2007, the Plan's investments earned a return of 1.7% or $42 million, after fees, down from 15.2% or $327 million in 2006 and 14.4% or $271 million in 2005. At December 31, 2007, the fair value of the Plan's net investments totalled $2.501 billion, up $35 million from $2.466 billion at the end of the previous year after accounting for an excess of pension benefits over member and employer contributions of $7.6 million.

The markets in 2007 were down compared to the previous year. A significant decline in the US housing market in 2007, as shown in the chart below, and credit concerns with sub-prime mortgages and asset backed commercial paper (ABCP) led to a credit and liquidity crisis which subsequently caused a softening in world equity markets. This affected the value of financial institutions holding these types of investments and the liquidity of other structured investment vehicles (SIV). A SIV is a vehicle that follows the principle of borrowing short-term and investing the proceeds into longer-term, higher-yielding assets and debt securities. The Plan has a small exposure to structured investment vehicles, nominal exposure to non-bank sponsored ABCP and no direct exposure to US subprime mortgages. However, the Plan has indirect exposure to the subprime situation to the extent the publicly-traded companies, whose stocks are held in the Plan's US, Canadian and non-North American equity portfolios, hold sub-prime mortgages.

Unlike in 2006, the stronger Canadian dollar in relation to other world currencies also had a negative impact on the value of non-Canadian investments.

Overall, the Plan has a well-diversified investment portfolio and a long-term investment focus that is designed to minimize its exposure to any one type of investment.

Emerging markets, Canadian real estate and Canadian equities posted strong gains in 2007. However, these gains were offset by returns from investments in US equities and other non-North American equities which were negatively impacted by the appreciating Canadian dollar and a weakening US economy.

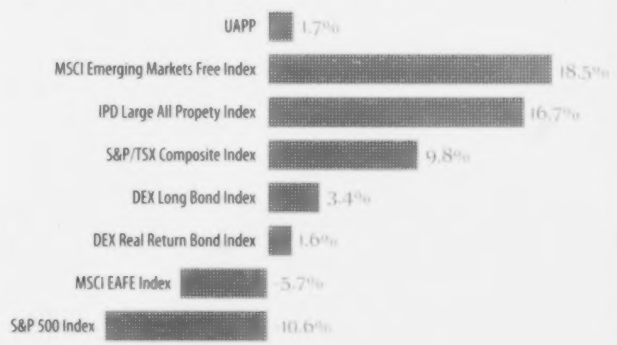
The chart below summarizes the market returns in Canadian dollars from various indices around the world and the return of the UAPP.

In 2007, the Emerging Market Free Index gained 18.5% in Canadian dollars compared to 32.5% last year.

The Canadian real estate market represented by the IPD Large Institutional All Property Index returned 16.7% compared to 18.6% last year.

S&P/CASE-SHILLER COMPOSITE - 10 CITY HOME PRICE INDEX
(year-over-year percent change)

RETURNS FOR MAJOR MARKETS AND THE UAPP


UAPP 1.7%
MSCI Emerging Markets Free Index 18.5%
IPD Large All Propety Index 16.7%
S&P/TSX Composite Index 9.8%
DEX Long Bond Index 3.4%
DEX Real Return Bond Index 1.6%
MSCI EAFE Index -5.7%
S&P 500 Index -10.6%

In the Canadian stock market, the Standard & Poor's Toronto Stock Exchange (S&P/TSX) Composite Index returned 9.8% in 2007 after returns of 17.3% in 2006, 24.1% in 2005 and 14.5% in 2004.

The value of the Plan's non-Canadian investment portfolio is exposed to foreign currency risk. For every one cent change in the US dollar against the Canadian dollar, the fair value of the Plan's US equity portfolio, totalling $498 million, changes by approximately $5.0 million. In September 2007, the Canadian dollar reached parity with the US dollar. By year's end, one US dollar purchased 99 cents Canadian, compared to $1.17 Canadian at December 31, 2006. Therefore, on conversion into Canadian dollars, the value of the US dollar investments declined in value over the year and resulted in negative returns.

In 2007, the S&P 500 Index, which tracks the performance of the top 500 American companies, gained 5.5% in US dollars, as compared to 15.8% in 2006 and 4.9% in 2005. However, when translated into the appreciating Canadian dollar, the S&P 500 Index returned a negative 10.6% in 2007 compared to positive returns of 15.7% in 2006 and 1.6% in 2005.

In 2007, the Morgan Stanley Capital International Index for Europe, Australasia, and the Far East (MSCI EAFE) Index, which tracks the performance of approximately 1,200 companies on 21 stock exchanges around the world, returned 3.6% in local currency. In Canadian dollars, the MSCI Index lost 5.7% in 2007 compared to a gain of 26.3% in 2006 and 10.0% in 2005.

The bond market represented by the DEX Bond Universe Index posted a return of 3.7% in 2007 compared to 4.1% in 2006 and 6.5% in 2005.

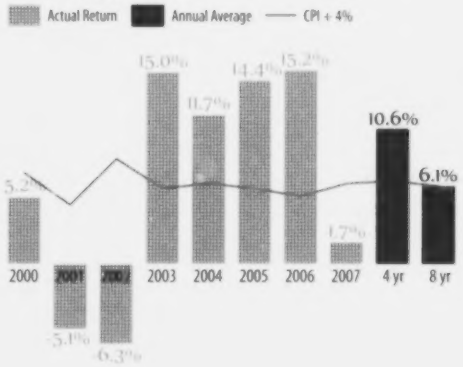
The chart below compares the Plan's actual return over one year and annualized returns over four and eight years against the Plan's required long-term investment return (i.e., real rate of return of 4.0% plus inflation as measured by the Consumer Price Index (CPI)).

The Plan's annualized returns over four and eight years was 10.6% and 6.1% respectively. Over four years, the Plan's actual investment return exceeded the Plan's long-term expected return of CPI plus 4.0%. Over eight years, the Plan's actual return was slightly lower (6.1% vs. 6.25%) than the expected long-term return.

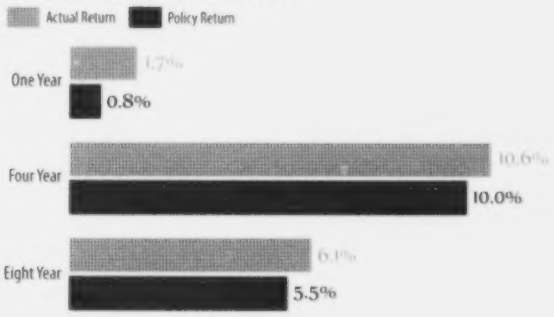
Actual Versus Policy Return

As of the end of 2007, on a net basis, after investment expenses, at the total Plan level, investment management has added 0.6% (6.1% vs. 5.5%) annualized to the Plan's overall investment return on a compound annualized basis over the last eight years.

ACTUAL RETURN VS. REQUIRED LONG-TERM RETURN OBJECTIVE



ACTUAL VERSUS POLICY RETURN

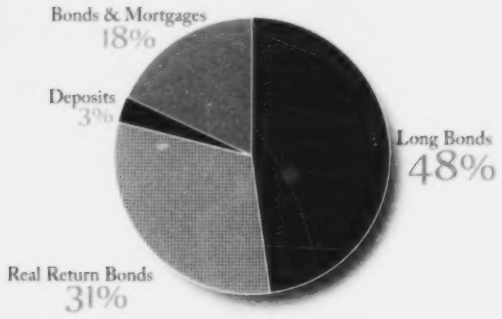


PERFORMANCE BY ASSET CLASS

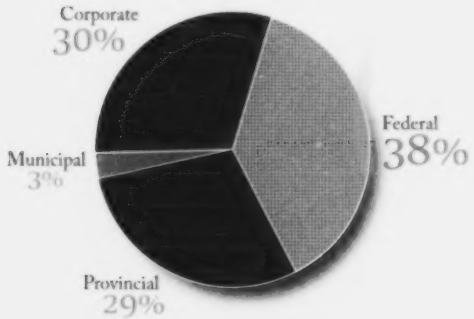
Fixed Income Investments

The UAPP's fixed income component includes cash, bonds and mortgages, long duration bonds and real return bonds, totaling 27.4% of total investments or $685 million at December 31, 2007 (27.8% or $687 million at December 31, 2006).

SUMMARY OF FIXED INCOME HOLDINGS
(by type of security)



SUMMARY OF FIXED INCOME HOLDINGS
(by issuer)



The table below shows the returns from the Plan's fixed income portfolio in 2007. Overall, total fixed income securities returned 2.3% in 2007, 0.6% below the combined benchmark return of 2.9%.

	Actual Return	Combined Benchmark	Net Value Added (Lost)
Total Fixed Income	%	%	%
One year	2.3	2.9	(0.6)
Four year	7.8	7.7	0.1

	Actual Return	Benchmark DEX 91-Day T-Bill Index	Net Value Added (Lost)
Short-term Fixed Income	%	%	%
One year	10.2	4.4	5.8
Four year	4.8	3.3	1.5

	Actual Return	Benchmark DEX Bond Universe Index	Net Value Added (Lost)
Universe Bonds	%	%	%
One year	2.7	3.7	(1.0)

Four year returns not applicable as investment started in April 2006

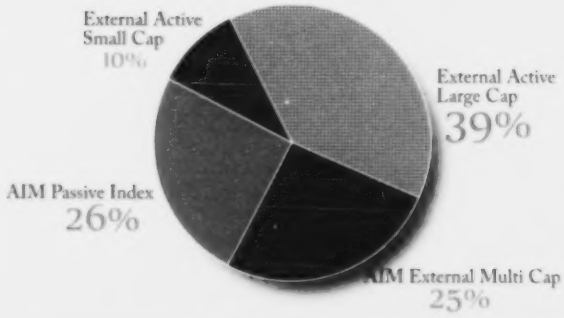
	Actual Return	Benchmark DEX Long Bond Index	Net Value Added (Lost)
Long Bonds	%	%	%
One year	2.1	3.4	(1.3)
Four year	7.7	7.8	(0.1)

	Actual Return	Benchmark DEX Real Return Index	Net Value Added (Lost)
Real Return Bonds	%	%	%
One year	1.7	1.6	0.1
Four year	7.6	7.5	0.1

Canadian Equities

At December 31, 2007, Canadian public equities represented 19.7% of the Plan's total investments or $493 million up from 18.4% or $456 million at the end of the previous year. Canadian equities are managed through several strategies, including both indexed and active mandates. AIM manages the passive index strategy in-house while external investment advisors actively manage the large cap strategy (investing in companies with large market capitalization and incorporating value, growth, and core styles) and the small cap strategy.

SUMMARY OF CANADIAN EQUITY HOLDINGS



Canadian Equity Holdings

By Industry Sector - %		2007	2006
1	Financials	29	30
2	Energy	24	23
3	Materials	15	15
4	Consumer discretionary	8	7
5	Industrials	8	9
6	Telecommunications	6	6
7	Information technology	5	5
8	Consumer staples	3	3
9	Health Care	1	1
10	Utilities	1	1
		100	100

The overall return from Canadian equity investments was 11.2% in 2007, 2.1% better than the combined benchmark of 9.1%. The table at the right also shows the total returns from the Canadian large and small cap equity portfolios.

	Actual Return	Combined Benchmark	Net Value Added (Lost)
Total Canadian Equities	%	%	%
One year	11.2	9.1	2.1
Four year	17.1	16.1	1.0

	Actual Return	Benchmark S&P/TSX Capped Composite	Net Value Added (Lost)
Canadian Large-Cap Equities	%	%	%
One year	10.8	9.8	1.0
Four year returns unavailable			

	Actual Return	Benchmark BMO NB Small Cap Index	Net Value Added (Lost)
Canadian Small-Cap Equities	%	%	%
One year	13.4	2.0	11.4
Four year	17.4	12.9	4.5

US Public Equities

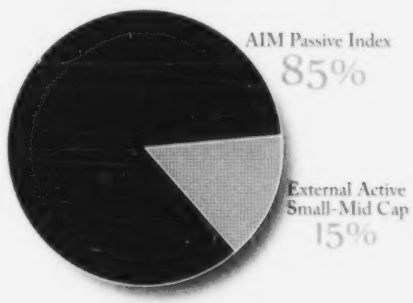
At December 31, 2007, US public equities comprised 19.9% of the Plan's total investments or $498 million, down from 20.8% or $512 million the previous year. 85% of the US portfolio is comprised of passive index strategies managed by AIM in-house and the other 15% is managed by external investment advisors through active mid cap and small cap strategies.

United States Equity Holdings

By Industry Sector - %		2007	2006
1	Financials	18	22
2	Information technology	17	16
3	Health Care	12	12
4	Industrials	12	12
5	Energy	12	9
6	Consumer discretionary	9	11
7	Consumer staples	9	8
8	Utilities	4	4
9	Materials	4	3
10	Telecommunications	3	3
		100	100

The overall return from US equity investments in Canadian dollars was negative 11.0% in 2007, 0.1% better than the combined benchmarks' negative return of 11.1%. The table at the right also shows the total returns from the US large cap and small cap equity portfolios.

SUMMARY OF UNITED STATES EQUITY HOLDINGS



	Actual Return	Combined Benchmark	Net Value Added (Lost)
Total US Equities	%	%	%
One year	-11.0	-11.1	0.1
Four year	2.2	2.3	(0.1)

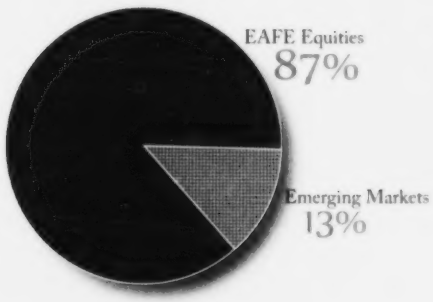
	Actual Return	Benchmark S&P 500 Index	Net Value Added (Lost)
US Large Cap Equities	%	%	%
One year	-12.5	-10.5	(2.0)
Four year returns unavailable			

	Actual Return	Benchmark Russell 2500 Index	Net Value Added (Lost)
US Small Cap Equities	%	%	%
One year	-2.3	-14.0	11.7
Four year	6.9	3.6	3.3

Non-North American Equities

The Plan's non-North American exposure comprised 24.0% or $599 million of total Plan investments at December 31, 2007, down from 26.2% or $646 million in the previous year. The non-North American equity portfolio is comprised of investments in Europe, Australasia and the Far East (EAFE) (87%) and Emerging Markets (13%).

SUMMARY OF NON-NORTH AMERICAN EQUITY HOLDINGS



Non-North American Equity Holdings

By Industry Sector - %		2007	2006
1	Financials	23	29
2	Industrials	14	13
3	Consumer discretionary	11	13
4	Energy	9	7
5	Materials	9	8
6	Telecommunications	8	6
7	Consumer staples	7	6
8	Health Care	7	7
9	Information technology	7	6
10	Utilities	5	5
		100	100

Developed Markets (Europe, Australasia and Far East (EAFE))

The Plan's EAFE equity portfolio represents 21.0% or $524 million of the total Plan investments at December 31, 2007. Of the EAFE equity exposure, 76% is actively managed by external investment advisors while the remaining 24% is passively managed in-house by AIM. The Plan's actual return in Canadian dollars from EAFE equity investments in 2007 was negative 4.0%.

	Actual Return	Benchmark MSCI EAFE Index	Net Value Added (Lost)
Europe, Australasia, Far East	%	%	%
One year	-4.0	-5.7	1.7
Four year	10.9	10.0	0.9

Emerging Markets

The Plan's externally-managed Emerging Market portfolio represents 3.0% or $76 million of total Plan investments at December 31, 2007, compared to 3.4% or $83 million the previous year.

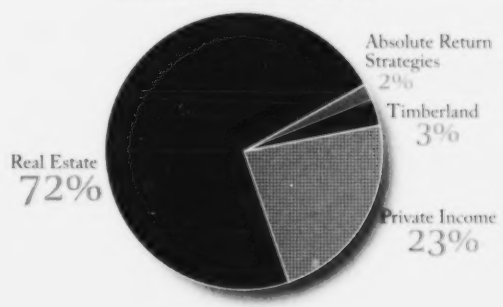
The Emerging Market mandate returned 16.6% in 2007, 1.9% less than the MSCI Emerging Market Free Index of 18.5% in Canadian dollars.

	Actual Return	Benchmark MSCI Emerging Market Free Index	Net Value Added (Lost)
Emerging Markets	%	%	%
One year	16.6	18.5	(1.9)
Four year	24.4	24.5	(0.1)

Alternative Investments

The Plan's alternative investment portfolio makes up 9.1% or $226 million of the Plan's total investments and consists of real estate (72%), private income securities (23%), timberland (3%) and a new investment in absolute return strategies (2%).

ALTERNATIVE INVESTMENTS



Real Estate

At December 31, 2007, real estate investments comprised 6.5% of total Plan investments or $162 million, compared to 4.9% or $120 million the previous year. The real estate portfolio includes a mix of office, retail, industrial and residential properties located in Ontario, Alberta, Quebec and British Columbia. The focus is on quality properties featuring strong locations and tenants.

The Plan's return from real estate investments in 2007 was 21.0%, 4.3% better than the Investment Property Databank (IPD) Large Institutional All Property Index benchmark return of 16.7%.

	Actual Return	Benchmark IPD Large Institutional All Property Index	Net Value Added (Lost)
Real Estate	%	%	%
One year	21.0	16.7	4.3

Four year returns not applicable as investment started in August 2004

REAL ESTATE BY SECTOR

REAL ESTATE BY PROVINCE

Private Income

Private income securities include infrastructure-related projects that are structured to yield high current income. At December 31, 2007, private income securities comprised 2.1% of total Plan investments or $53 million, compared to 1.7% or $42 million at the end of the previous year. In 2007, private income investments returned 15.3%, 6.9% better than the benchmark return of 8.4%.

	Actual Return	Benchmark Consumer Price Index (CPI) Plus 6%	Net Value Added (Lost)
Private Income	%	%	%
One year	15.3	8.4	6.9

Four year returns unavailable

Timberland

The timberland investment will include forestry land in Canada and globally. The investment in Canada represents an interest in a limited partnership which holds forestry land and land held for higher and better use in the Province of British Columbia. Timberland investments comprised 0.2% of total Plan investments or $6 million and returned 59.0% in 2007 based primarily on valuations of land held for higher and better use.

	Actual Return	Benchmark Consumer Price Index (CPI) Plus 4%	Net Value Added (Lost)
Timberland	%	%	%
One year	59.0	6.4	52.6

Absolute Return Strategies

Absolute return strategies are a new type of investment in which the UAPP began to participate in late 2007 and equaled 0.2% or $5 million of the Plan's total investment portfolio at December 31, 2007. This class of investment encompasses a wide variety of strategies with the objective of realizing positive returns regardless of the overall market direction. These strategies include hedge fund strategies such as convertible arbitrage, distressed securities, event-driven, equity market-neutral and merger arbitrage.

	Annual Returns				Annualized				
	2007	2006	2005	2004	1yr	2yr	3yr	4yr	8yr
	%	%	%	%	%	%	%	%	%
Total Fund	1.7	15.2	14.4	11.7	1.7	8.3	10.3	10.6	6.1
Policy Return	*0.8*	*14.5*	*13.4*	*11.8*	*0.8*	*7.5*	*9.4*	*10.0*	*5.5*
Consumer Price Index (A)	2.4	1.6	2.2	2.1	2.4	1.9	1.9	2.1	2.2
Total Fixed Income	2.3	1.7	14.2	13.6	2.3	2.0	5.9	7.8	8.9
Combined Benchmarks (B)	*2.9*	*1.2*	*14.2*	*13.2*	*2.9*	*2.0*	*5.9*	*7.7*	*8.8*
Short-term Fixed Income	10.2	4.2	2.8	2.2	10.2	7.2	5.7	4.8	4.4
DEX 91-Day T-Bill Index	*4.4*	*4.0*	*2.6*	*2.3*	*4.4*	*4.2*	*3.7*	*3.3*	*3.6*
Universe Bonds	2.7	n/a	n/a	n/a	2.7	n/a	n/a	n/a	n/a
DEX Bond Universe Index	*3.7*	*n/a*	*n/a*	*n/a*	*3.7*	*n/a*	*n/a*	*n/a*	*n/a*
Long Duration Bonds	2.1	4.8	13.8	10.4	2.1	3.4	6.8	7.7	n/a
DEX Long Bond Index	*3.4*	*4.1*	*13.8*	*10.3*	*3.4*	*3.8*	*7.0*	*7.8*	*n/a*
Real Return Bonds	1.7	-2.9	15.2	17.6	1.7	-0.6	4.4	7.6	9.2
DEX Real Return Bond Index	*1.6*	*-2.9*	*15.2*	*17.5*	*1.6*	*-0.7*	*4.4*	*7.5*	*9.4*
Total Public Equity	-0.7	21.1	13.7	n/a	-0.7	9.6	11.0	n/a	n/a
Combined Benchmarks (C)	*-2.6*	*20.7*	*12.5*	*n/a*	*-2.6*	*8.4*	*9.8*	*n/a*	*n/a*
Total Canadian Equities	11.2	18.4	24.4	14.9	11.2	14.8	17.9	17.1	9.6
Combined Benchmarks (D)	*9.1*	*17.3*	*23.7*	*14.9*	*9.1*	*13.1*	*16.6*	*16.1*	*8.4*
Canadian Large Cap Equities	10.8	17.6	24.7	n/a	10.8	14.2	17.6	n/a	n/a
S&P/TSX Composite Index	*9.8*	*17.3*	*24.1*	*n/a*	*9.8*	*13.5*	*16.9*	*n/a*	*n/a*
Canadian Small Cap Equities	13.4	13.4	23.0	20.0	13.4	13.4	16.5	17.4	15.9
BMO Small Cap Blended Index	*2.0*	*16.6*	*19.7*	*14.1*	*2.0*	*9.1*	*12.5*	*12.9*	*12.4*
Foreign Equities	-5.8	22.0	9.0	8.9	-5.8	7.3	7.9	8.1	0.1
Combined Benchmarks (E)	*-6.6*	*22.1*	*7.9*	*8.9*	*-6.6*	*6.8*	*7.1*	*7.6*	*-0.4*
United States Equities	-11.0	15.2	2.3	4.0	-11.0	1.5	1.8	2.2	-2.6
Combined Benchmarks (F)	*-11.1*	*15.8*	*2.1*	*4.3*	*-11.1*	*1.5*	*1.7*	*2.3*	*-3.0*
US Large Cap	-12.5	15.8	1.1	n/a	-12.5	0.7	0.8	n/a	n/a
S&P 500 Index	*-10.5*	*15.7*	*1.6*	*n/a*	*-10.5*	*1.7*	*1.7*	*n/a*	*n/a*
US Small Cap	-2.3	14.6	9.4	6.7	-2.3	5.8	7.0	6.9	n/a
Russell 2500 Index	*-14.0*	*16.1*	*4.7*	*10.2*	*-14.0*	*-0.1*	*1.5*	*3.6*	*n/a*
Non-North American Equities	-1.6	27.1	14.2	12.7	-1.6	11.8	12.6	12.6	2.2
Combined Benchmarks (G)	*-3.0*	*27.1*	*12.3*	*12.7*	*-3.0*	*11.0*	*11.4*	*11.7*	*1.6*
Europe, Australasia and Far East	-4.0	26.4	11.8	11.7	-4.0	10.1	10.7	10.9	1.0
MSCI EAFE Index	*-5.7*	*26.3*	*10.0*	*12.0*	*-5.7*	*9.1*	*9.4*	*10.0*	*0.3*
Emerging Markets	16.6	31.0	30.4	20.1	16.6	23.6	25.8	24.4	10.1
MSCI Emerging Markets Free	*18.5*	*32.5*	*30.3*	*17.3*	*18.5*	*25.3*	*27.0*	*24.5*	*9.9*
Total Alternative Asset Classes	20.4	21.6	26.5	n/a	20.4	21.0	22.8	n/a	n/a
Combined Benchmarks (H)	*14.5*	*15.7*	*15.8*	*n/a*	*14.5*	*15.1*	*15.3*	*n/a*	*n/a*
Real Estate	21.0	21.3	29.9	n/a	21.0	21.2	24.0	n/a	n/a
IPD Large Institutional All Property Index	*16.7*	*18.6*	*19.4*	*n/a*	*16.7*	*17.7*	*18.2*	*n/a*	*n/a*
Private Income	15.3	24.9	22.5	4.5	15.3	20.0	20.8	16.5	n/a
CPI plus 6% (I)	*8.4*	*7.4*	*8.0*	*n/a*	*8.4*	*7.9*	*7.9*	*n/a*	*n/a*
Timberland	59.0	4.3	n/a	n/a	59.0	28.8	n/a	n/a	n/a
CPI plus 4% (I)	*6.4*	*5.4*	*n/a*	*n/a*	*6.4*	*5.9*	*n/a*	*n/a*	*n/a*
Overlay Implementation	-0.6	-21.7	n/a	n/a	-0.6	-11.8	n/a	n/a	n/a

(A) The Consumer Price Index (CPI) is reported on a real time basis.
(B) Combined Benchmark includes DEX 91-Day T-Bill Index, DEX Bond Universe Index, DEX Long Bond Index, DEX Real Return Bond Index.
(C) Combined Benchmark includes S&P/TSX Index, BMO Small Cap Blended Index, S&P 500 Index, Russell 2500 Index, MSCI EAFE Index, MSCI Emerging Markets Free Index.
(D) Combined Benchmark includes S&P/TSX Index, BMO Small Cap Blended Index.
(E) Combined Benchmark includes S&P 500 Index, Russell 2500 Index, MSCI EAFE Index, MSCI Emerging Markets Index.
(F) Combined Benchmark includes S&P 500 Index, Russell 2500 Index.
(G) Combined Benchmark includes MSCI EAFE Index, MSCI Emerging Markets Free Index.
(H) Combined Benchmark includes IPD Large Institutional All Property Index, CPI + 6%, CPI + 4%.
(I) The CPI in this benchmark is calculated and reported on a one-month lagged basis due to a timing difference in reporting between AIM and Statistics Canada throughout the year.

ADMINISTRATION REPORT

The Board is responsible for the operation and administration of the UAPP. This includes the collection of member data and contributions, the calculation and payment of pensions and other benefits, and the communication of pension information to members, pensioners and employers. The 2007 results in these areas are as follows.

Active Membership & Contributions

Active membership in the UAPP has increased by 7.0% in 2007, rising to 7,002 at December 31, 2007 from 6,545 at the end of 2006. As a result of increased membership and salaries, total contributions received from employers, employees and the Province of Alberta grew by 13.0%, to $137.8 million in 2007 from $121.9 million in 2006.

Pensioner & Benefit Payments

The number of former employees and their spouses receiving a pension from the UAPP increased by 3.7%, rising to 3,302 in 2007 from 3,184 in 2006. During the year, the total payments of benefits to pensioners rose by 7.0% (2006: 6.7%), to $130.7 million in 2007 from $122.1 million in 2006. The most popular pension choice among the new retirees with a spouse was a Joint Life with a 10-year guarantee. Pensioners were granted a cost-of-living increase of 2.16% effective January 1, 2007.

Terminated and Deferred Members

Termination benefits amounting to $14.7 million (2006: $10.5 million) were paid during the year to or on behalf of former members of the UAPP. The number of members who terminated their employment with a UAPP employer, but had not made a choice regarding their benefit, climbed to 1,083 at the end of 2007 from 984 in 2006.

Plan Expenses

In 2007, the UAPP's general plan expenses amounted to $1.6 million ($147 per member) compared to $1.6 million ($152 per member) in 2006.

PARTICIPATION

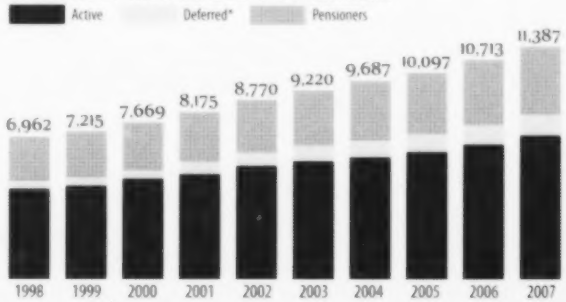
	2007	2006
Active Members	7,002	6,545
Deferred Members*	1,083	984
Pensioners	3,302	3,184
Total	11,387	10,713

*includes held-on-deposit accounts

NEW PENSIONERS

	2007	2006
Normal Retirements	35	70
Early Retirements	125	122
Death Benefits to Spouses	6	4
Total	166	196

GROWTH OF MEMBERS AND PENSIONERS



* includes held-on-deposit accounts

NEW PENSIONER RETIREMENT CHOICES

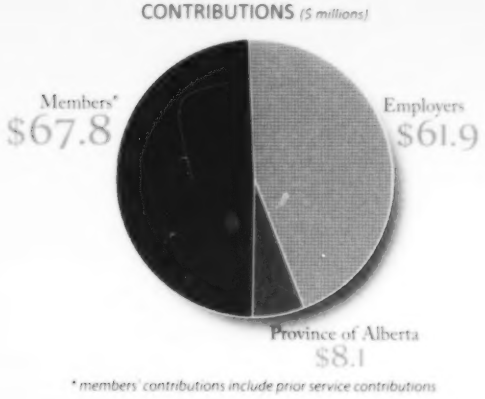
During 2007

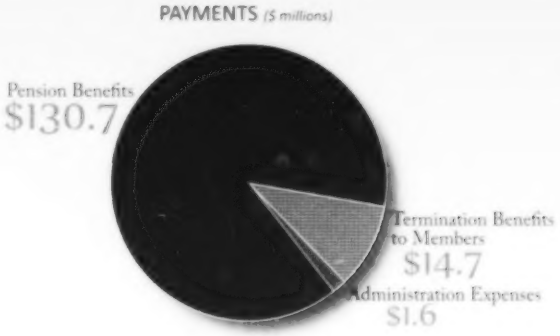
	2007	2006
Single life – with or without guarantee	53	66
Joint life – 2/3 spouse, no guarantee	26	27
Joint life – 2/3 spouse, 10-year guarantee	37	42
Joint life – 100% spouse, no guarantee	20	20
Joint life – 100% spouse, 10-year guarantee	30	41
Total	166	196

MONTHLY PAYMENT DISTRIBUTION

As at December 31, 2007

Dollar value ($) per month	Member Pensions	Spouse's Pensions	Total
1 to 999	290	21	311
1,000 to 1,999	414	40	454
2,000 to 2,999	566	34	600
3,000 to 3,999	691	22	713
4,000 and over	1,215	9	1,224
Total	3,176	126	3,302





* members' contributions include prior service contributions

Plan Communications

Member Handbooks were updated and distributed in 2007, and the Communiqué was issued quarterly to update members and employers on topical subjects related to pensions. In addition, members were provided with a personal annual statement giving the details of their entitlements to the end of 2006.

Plan members and others are visiting the UAPP website in increasing numbers. Just over 77,000 hits were made on the site in 2007, compared to around 38,000 hits in 2006. Popular subjects of interest included "What's New", Member Handbook, Information Sheets, the Annual Report and the Communiqué. The Trustees' Office also receives comments and questions from members who use the Feedback feature on the website.

Plan members continue to make use of the call center for pension-related information. In 2007, there were over 1,450 calls handled by the call center. Plan members are also accessing the Retirement Planner.

During 2007, a number of pension seminars and workshops were made available to members and pension staff at the institutions. The seminars were well-attended, and members and pension staff expressed interest in having more of these provided in the future as they found them to be helpful and informative.

Initiatives in 2007

- The Board, based on the results of the actuarial valuation conducted as at December 31, 2006 and the advice of the Plan's actuary, decreased contribution rates required under the UAPP by a total of 1.0% of salary. The new contribution rates shown below came into effect January 1, 2008.

	Universities of Alberta, Calgary & Lethbridge		Athabasca University & The Banff Centre	
Salary Portion	**Employee**	**Employer**	**Employee**	**Employer**
On earnings up to YMPE	8.27%	8.27%	7.77%	8.77%
On earnings in excess of YMPE up to pensionable salary cap	11.21%	11.21%	10.71%	11.71%
On earnings in excess of pensionable salary cap	0.87%	0.87%	0.87%	0.87%

- Effective July 1, 2007, the UAPP entered into a new contract with its administration services provider, ACS and Buck Consultants, an ACS Company (ACS/Buck). This agreement sets out very specific performance targets for providing quality services to UAPP members. Performance standards of direct interest to members are as follows:

Responsibilities	Service Level Agreement
Time to answer calls	80% of calls answered within 20 seconds with a call abandonment rate below 5%
Escalated calls and voicemail messages	Answered within 1 business day
Emails	Answered within 2 business days
Written enquiries	Answered within 5 business days
Statement of options on termination	5 business days from the receipt of all required information
Statement of options on retirement	5 business days from the receipt of all required information
Statement of options on death	5 business days from the receipt of all required information
MPO* estimate requests	5 business days from the receipt of all required information
MPO final calculations	10 business days from the receipt of all required information
MPO payment authorization	3 business days from the receipt of all required information

Matrimonial Property Order

- PricewaterhouseCoopers was engaged to undertake an administration review of the UAPP with a view to clarify roles and identify opportunities to improve service delivery to UAPP members. Upon receiving this report, the Board established an ad hoc committee to evaluate the findings and recommendations; this committee will be providing the Board with its recommendations during 2008.
- Proposals for enhancing data submissions were prepared and discussed with employers. The main focus of these enhancements are to:
  - provide member information required for benefit calculations to the administration services provider, ACS/Buck, in a more comprehensive and timely manner, and
  - explore the direct upload from employer payroll systems of certain member data to reduce the need for manual intervention, improve accuracy and streamline benefit administration service delivery.

The Year Ahead

Key plans for 2008 include:

- Evaluating and implementing administration processes to address the findings and recommendations received from the administration review conducted by PricewaterhouseCoopers in 2007.
- Continuing to work with employers and service providers to evaluate opportunities to enhance data submissions to improve both the accuracy and timeliness of member data.
- Working with employers and the UAPP's administration services provider, ACS/Buck, to provide information and training sessions designed to promote consistent delivery of pension services to UAPP members.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2007 Annual Report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2007 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

Alberta Investment Management (AIM) of Alberta Finance, acting in the capacity of investment manager, and ACS and Buck Consultants, an ACS Company and CIBC Mellon, acting in the capacity of pension administrators, maintain systems of internal control, including written policies, standards and procedures and formal authorization structures.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Audit Committee assists the Board of Trustees in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and external auditors to review the scope and timing of the audit as well as to review any internal control or financial issues and their resolution. The Committee reviews the annual financial statements and recommends them to the Board of Trustees for approval.

KPMG LLP (KPMG), the Plan's external auditor, provides an independent audit of operations, investments, and financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow them to report on the fairness of the financial statements. KPMG has full and unrestricted access to discuss the audit and related findings regarding the integrity and financial reporting and the adequacy of internal controls.

Virendra Gupta

Virendra Gupta
Executive Director
Universities Academic Pension Plan

Trevor Pelton

Trevor Pelton, CMA
Director, Finance and Administration
Universities Academic Pension Plan

AUDITORS' REPORT

To the Board of Trustees of the Universities Academic Pension Plan

We have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan (the Plan) as at December 31, 2007 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in actuarial deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and accrued pension liability of the Plan as at December 31, 2007 and the changes in net assets, accrued pension liability and actuarial deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Edmonton, Canada
February 22, 2008

STATEMENT OF NET ASSETS AND ACCRUED PENSION LIABILITY

As at December 31

	2007	2006
	($ thousands)	
Net assets available for benefits		
Assets		
Investments (Note 3)	$ 2,501,485	$ 2,466,437
Accrued investment income and accounts receivable	530	904
Contributions receivable		
Employers	5,503	4,803
Employees	5,621	4,903
Province of Alberta	904	577
	2,514,043	2,477,624
Liabilities		
Accounts payable and accrued liabilities	4,086	352
Net assets available for benefits	2,509,957	2,477,272
Actuarial adjustment for fluctuation in fair value of net assets (Note 8)	17,500	(172,200)
Actuarial value of net assets available for benefits (Note 8)	2,527,457	2,305,072
Actuarial deficiency (Note 8)	535,843	409,128
Accrued pension liability (Note 8)	**$ 3,063,300**	**$ 2,714,200**

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31

	2007	2006
	($ thousands)	
Contributions received		
Current and optional service		
Employers	$ 54,443	$ 49,485
Employees	60,384	53,119
Additional contributions to meet pre-1992 unfunded liability		
Employers	7,413	6,245
Employees	7,413	6,245
Province of Alberta	8,128	6,848
	137,781	121,942
Other income		
Net investment income (Note 6)	41,917	327,105
Payments made		
Pension benefits	(130,682)	(122,112)
Termination benefits	(14,705)	(10,467)
Plan expenses (Note 7)	(1,626)	(1,581)
	(147,013)	(134,160)
Increase in net assets	32,685	314,887
Net assets available for benefits at beginning of year	2,477,272	2,162,385
Net assets available for benefits at end of year	**$ 2,509,957**	**$ 2,477,272**

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN ACCRUED PENSION LIABILITY

For the year ended December 31

	2007 Pre-1992	2007 Post-1991	2007 Total	2006 Total
		($ thousands)		($ thousands)
Increase in accrued pension liability				
Interest accrued on liability	$ 111,379	$ 88,221	$ 199,600	$ 180,400
Benefits earned	-	100,300	100,300	88,400
Actuarial assumption changes	72,800	70,900	143,700	-
Changes in TIAA-CREF* balances	-	-	-	100
Net experience loss (gain)	39,300	(19,600)	19,700	-
Cost-of-living experience loss	23,000	13,000	36,000	6,400
	246,479	252,821	499,300	275,300
Decrease in accrued pension liability				
Benefits paid, including interest	109,100	41,100	150,200	137,000
Net increase in accrued pension liability	137,379	211,721	349,100	138,300
Accrued pension liability at beginning of year	1,550,021	1,164,179	2,714,200	2,575,900
Accrued pension liability at end of year (Note 8)	**$ 1,687,400**	**$ 1,375,900**	**$ 3,063,300**	**$ 2,714,200**

* *TIAA-CREF refers to the funds that certain members have with Sun Life in respect of service with their employers prior to the establishment of the UAPP in 1978.*

The accompanying notes and schedules are part of these financial statements.

STATEMENT OF CHANGES IN ACTUARIAL DEFICIENCY

For the year ended December 31

	2007 Pre-1992	2007 Post-1991	2007 Total	2006 Total
		($ thousands)		($ thousands)
Actuarial deficiency at beginning of year	$ 399,521	$ 9,607	$ 409,128	$ 537,415
Decrease (increase) in net assets available for benefits	61,200	(93,885)	(32,685)	(314,887)
Net change in actuarial adjustment for fluctuation in fair value of net assets	(96,800)	(92,900)	(189,700)	48,300
Net increase in accrued pension liability	137,379	211,721	349,100	138,300
Actuarial deficiency at end of year	**$ 501,300**	**$ 34,543**	**$ 535,843**	**$ 409,128**

The accompanying notes and schedules are part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2007

Note 1 Summary Description of the Plan

Effective January 1, 2001 the Universities Academic Pension Plan (the Plan) became a non-statutory pension plan subject to and registered under the Employment Pension Plans Act of Alberta. The Plan is also registered under the Income Tax Act. The Plan's registration number is 0339572. The Plan now operates under a Sponsorship and Trust Agreement signed by the Plan Sponsors. A complete description of the Plan can be found in the Sponsorship and Trust Agreement. The Board of Trustees appointed by Plan Sponsors is responsible for administration of the Plan. The summary description of the Plan described below applies to members who contribute to the Plan on or after January 1, 2001.

(a) General

The Plan is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. In addition, employees of the Board of Trustees and the professional staff of the University of Calgary Faculty Association also participate in the Plan.

(b) Funding Policy

Contributions and investment earnings are expected to fund all benefits payable under the Plan. Employees and employers are responsible for fully funding service after 1991.

The unfunded liability for service prior to January 1, 1992 is financed by additional contributions from the Province of Alberta, employers and employees. These contribution rates are set on the basis that the additional contributions will eliminate the pre-1992 service unfunded liability on or before December 31, 2043. The Province pays 1.25% of salary and the balance of the required contributions is equally split between employees and employers.

Under the Employment Pension Plans Amendment Regulation 245/2003 (Order in Council 357/203), the Plan is exempt from funding solvency deficiencies effective January 1, 2003 in respect of all service.

The Board of Trustees, in consultation with the Plan's actuary, reviews the contribution rates at least once every three years.

The rates in effect as at December 31, 2007 were unchanged. Employees of the Universities of Alberta, Calgary and Lethbridge contribute at the rate of 9.175% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE), 11.575% on pensionable salary above the YMPE and up to the pensionable salary cap, and 1.14% on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

Employers and employees of the Board of Trustees and the professional staff of the University of Calgary Faculty Association contribute at the same rates as the employers and employees of Universities of Alberta, Calgary and Lethbridge.

Employees of Athabasca University and The Banff Centre contribute at the rate of 8.675% of pensionable salaries up to the Canada Pension Plan's YMPE and 11.075% on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% more than employees. In addition, employees and employers provide equal matching contributions of 1.14% on earnings above the pensionable salary cap.

Effective January 1, 2008, contribution rates for employees of the Universities of Alberta, Calgary and Lethbridge and employees of the Board of Trustees, professional staff of the University of Calgary Faculty Association and professional staff of the Association of Academic Staff of the University of Alberta, have decreased to 8.27% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE), 11.21% on pensionable salary above the YMPE and up to the pensionable salary cap, and 0.87% on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

Also effective January 1, 2008, contribution rates for employees of Athabasca University and The Banff Centre have decreased to 7.77% of pensionable salaries up to the Canada Pension Plan's YMPE and 10.71% on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% more than employees. In addition, employees and employers provide equal matching contributions of 0.87% on earnings above the pensionable salary cap.

(c) Retirement Benefits

The Plan provides for a pension based upon the average salary of the highest five consecutive years. For service before 1994, the pension is 2% for each year of pensionable service. From January 1, 1994, the Plan's benefits and contributions were integrated with the Canada Pension Plan. As a result, pensions for service after 1993 are reduced at age 65. The reduction is 0.6% of the Canada Pension Plan's average YMPE for the same five years as used in calculating the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 55 and have at least two years of membership.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least two years of membership or have attained age 55 and the sum of their age and years of membership equals at least 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least two years of membership.

Members who become disabled and have at least two years of membership and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension.

(d) Death Benefits

Death benefits are payable on the death of a member. If the member had at least two years of membership, a surviving spouse may choose

...continued on page 26

Note 1 Summary Description of the Plan, continued...

to receive a pension based on total service or a lump sum payment. For a beneficiary other than a spouse, or where membership is less than two years, a lump sum payment must be paid.

(e) Termination Benefits

Members who terminate with two or more years of membership and are not immediately entitled to a pension may elect to receive a deferred pension or a lump sum refund.

Refunds on service performed before 1994 equal employee and employer contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds on service performed after 1993 equal 1.75 times employee contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds are subject to the Plan's lock-in provisions and excess contribution rules.

Members with less than two years of membership are entitled to a refund of their own contributions plus interest.

(f) Disability Benefits

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

(g) Optional Service and Transfers

Leaves of absence which are purchased before April 30th following a return to work are costed based on the contributions which would have been paid during the leave period plus interest. All other optional service purchases are costed on an actuarial reserve basis and are cost neutral to the Plan. Funds related to the transfer of service to other plans are based on the regular termination benefits.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds established and administered by Alberta Finance. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. For private investments and timberland investments, the fair value is based on estimates where quoted market prices are not readily available. Estimated fair values may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Finance.

The fair value of private income investments is estimated by managers or general partners of private income funds, pools and limited partnerships. Valuation methods may encompass a broad range of approaches. The cost approach is used to value companies without either profits or cash flows. Established private companies are valued using the fair market value approach reflecting conventional valuation methods including discounted cash flows and multiple earnings analyses.

Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models.

The fair value of timberland investments is appraised annually by independent third party evaluators.

The fair values of deposits, receivables, accrued investment income and accounts payable and accrued liabilities are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair values. The valuation method recognizes the amount by which actual market returns differ from assumed investment returns. Under this method, asset values are calculated based on what the asset value would be at the valuation date had the assets earned precisely the rate

of return assumed in the actuarial valuation. This calculation is carried out independently at each of two starting points, namely the market value as at each of the two calendar year-ends preceding the valuation date. These two calculated values, together with the market value as at the valuation date, are averaged to determine the actuarial value of assets with a constraint limiting the actuarial value not to exceed 110% or fall below 90% of net assets available for benefits.

(d) Income Recognition

Investment income and expenses are recorded on an accrual basis. Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on all investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for those transactions that are covered under the terms of a forward exchange contract where the contract rate of exchange is used. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps, cross-currency interest rate swaps and swap option contracts. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps and cross-currency interest rate swaps are valued based on discounted cash flows using current market yields and year-end exchange rates.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

Swap option contracts are valued based on discounted cash flows using current market yields and volatility parameters which measure changes in the underlying swap.

(g) Measurement Uncertainty

In preparing these financial statements, management is required to make estimates and assumptions in circumstances where actual values are unknown. These estimates and assumptions affect the amounts reported in the financial statements. Actual results may materially differ from the estimates used (see Note 2(b) and Note 8(b)).

Note 3 Investments (Schedules B to F)

(a) The Consolidated Cash Investment Trust Fund is managed by the Province of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

(b) The Canadian Dollar Long Bond Pool (CLDP) and the Universe Fixed Income Pool (UFIP) are managed with the objective of providing competitive returns comparable to the total returns of the DEX Bond Universe Index and DEX Long Term Bond and Universe Bond Index respectively over a four-year period while maintaining adequate security and liquidity of participants' capital. The UFIP portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives while the CLDP portfolio invests only in high quality fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real Rate of Return Bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the DEX Bond Universe Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. The Pool invests primarily in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage and geographic location.

(e) The Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment styles and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts.

(f) The Tactical Asset Allocation Pool provides participants with a quick, effective and efficient way to earn excess returns, on an opportunistic basis, by altering the portfolio weights of broad asset classes using synthetic instruments. At December 31, 2007, the Pool is comprised of cash and fixed income securities and a neutral position through United States equity index futures. Cash and short-term securities held by the Pool support approximately 5% to 10% of the Pool's notional exposure in United States equity index futures contracts.

(g) The Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small

...continued on page 28

NOTE 3 INVESTMENTS (SCHEDULES B TO F)

	2007 Fair Value ($ thousands)	%	2006 Fair Value ($ thousands)	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 18,135	0.8	$ 10,772	0.4
Canadian Dollar Long Bond Pool (b)	324,949	13.0	311,553	12.6
Universe Fixed Income Pool (b)	46,305	1.8	66,256	2.7
Real Rate of Return Bonds (c)	211,448	8.4	233,434	9.5
Private Mortgage Pool (d)	79,076	3.2	54,640	2.2
External Managers Currency Alpha Pool (e)	1,170	-	2,002	0.1
Tactical Asset Allocation Pool (f)	4,011	0.2	8,243	0.3
	685,094	27.4	686,900	27.8
Canadian Equities (Schedule C)				
Canadian Large Cap Equity Pool (g)	194,226	7.7	192,015	7.8
Canadian Small Cap Equity Pool (g)	51,539	2.1	52,321	2.1
Canadian Multi-Cap Pool (h)	120,611	4.8	119,872	4.9
Canadian Structured Equity Pool (i)	125,407	5.0	118,613	4.8
Private Equity Pool	1,521	0.1	5,852	0.2
Tactical Asset Allocation Pool - futures contracts (f)	-	-	(33,168)	(1.4)
	493,304	19.7	455,505	18.4
United States Equities (Schedule D)				
US Structured Equity Pool (j)	420,970	16.8	406,906	16.5
US Small/Mid Cap Equity Pool (k)	76,903	3.1	72,004	2.9
Tactical Asset Allocation Pool - futures contracts (f)	-	-	33,168	1.4
	497,873	19.9	512,078	20.8
Non-North American Equities (Schedule E)				
EAFE Active Equity Pool (l)	396,624	15.9	422,403	17.1
Emerging Markets Equity Pool (m)	75,739	3.0	83,029	3.4
EAFE Structured Equity Pool (n)	126,958	5.1	135,919	5.5
EAFE Passive Equity Pool	-	-	4,505	0.2
	599,321	24.0	645,856	26.2
Alternative Investments - Equities				
Private Income Pools (o)	52,944	2.1	42,188	1.7
Timberland Pool (p)	6,225	0.2	4,372	0.2
Absolute Return Strategies Pool (q)	5,159	0.2	-	-
	64,328	2.6	46,560	1.9
Real Estate Equities (Schedule F)				
Private Real Estate Pool (r)	161,565	6.5	119,538	4.9
Total equities	1,816,391	72.6	1,779,537	72.2
Total investments	**$ 2,501,485**	**100.0**	**$ 2,466,437**	**100.0**

Note 3 Investments, continued...

Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the Toronto Stock Exchange S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period while reducing return volatility through multiple manager investment styles and unique market capitalization focus.

(h) The Canadian Multi-Cap Pool consists of a single portfolio with multiple components. The large cap component is internally managed and provides exposure to the Canadian equity market through structured investments replicating the S&P/TSX 60 Index. The small/mid cap component is comprised of investments in the External Managers Canadian Multi-Cap Pool. The performance objective is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period. The

pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(i) The Canadian Structured Equity Pool is managed on a passive approach with the objective of providing investment returns comparable to the total return of the S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(j) The US Structured Equity Pool is passively managed. The portfolio is comprised of publicly traded United States equities similar in weights to the Standard & Poor's S&P 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Total Return Index over a four-year period. The Pool utilizes a combination of pure security replication and synthetic replication strategies to obtain exposure to the benchmark. To enhance investment returns, the Pool also invests in futures, swaps and other structured investments. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(k) The US Small/Mid Cap Equity Pool consists of multiple portfolios of publicly traded United States equities which are actively managed by an external manager with expertise in the US small/mid cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period while reducing return volatility.

(l) The EAFE (Europe, Australasia and Far East) Active Equity Pool consists of multiple portfolios of publicly traded non-North American equities. Portfolios are actively managed by external managers with European and Pacific Basin mandates. The performance objective is to provide investment returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period.

(m) The Emerging Markets Equity Pool consists of publicly traded equities in emerging markets around the world. The portfolio is actively managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index (MSCI) Emerging Markets Free Net (EMF) Index over a four-year period.

(n) The performance objective of the EAFE Structured Equity Pool is to provide returns comparable to the total return of the MSCI EAFE Index over a four-year period. The Pool provides exposure to foreign markets in Europe, Australasia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(o) The Private Income Pools are managed with the objective of providing investment returns comparable to the Consumer Price Index plus 6% over the long term. The Pools invest in infrastructure-related projects that are structured to yield high current income.

(p) The Timberland Pool provides high current income and long investment horizons. The timberland investment is primarily a partnership in forestry land in British Columbia. The performance objective is to earn a return higher than CPI plus 4.0%.

(q) The Absolute Return Strategy Pool is managed with the objective of providing investment returns comparable to the HFRX Global Hedge Fund Index. The Pool is intended to yield absolute positive investment returns with lower volatility using various investment strategies.

(r) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through intermediary companies which have issued to the Pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The Pool is intended to provide diversification from the securities market.

Note 4 Investment Risk Management

Investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Long-term real rate of return expected to be earned on investments is the key assumption in calculating the actuarial liabilities of the Plan. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a long-term policy asset mix for investments:

Fixed income securities	25.0%
Canadian equities	19.5%
US equities	19.0%
Non-North American equities	21.5%
Real estate	8.0%
Private income	4.0%
Absolute return strategies	2.0%
Timberland	1.0%

Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives. Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

Note 5 Derivative Contracts

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest rate risk and foreign currency risk, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. A credit default swap allows counter-parties to buy and sell protection on credit risks inherent in a bond. A premium is paid based on a notional amount from one counter party to a second counter party in exchange for a contingent payment should a defined credit event occur with respect to the underlying security. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps and leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

Swap option contracts include the right, but not the obligations, to enter into an interest rate swap at a preset rate within a specified period of time.

The following is a summary of the Plan's proportionate share of the notional amount and net fair value of derivative contracts held by pooled funds at December 31, 2007:

	2007					2006	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value *	Notional Amount	Net Fair Value *
	%			($ thousands)		($ thousands)	
Equity index swap contracts	94	6	-	$ 721,813	$ (9,869)	$ 621,681	$ 21,908
Cross-currency interest rate swap contracts	25	56	19	174,373	6,208	173,894	6,806
Interest rate swap contracts	18	40	42	143,423	(1,894)	163,799	(761)
Equity index futures contracts	100	-	-	138,180	3,121	165,995	5,313
Forward foreign exchange contracts	100	-	-	124,084	(202)	118,407	(1,360)
Credit default swap contracts	7	46	47	108,824	(523)	72,280	280
Bond index swaps	100	-	-	80,657	2,770	23,930	684
Swap option contracts	52	-	48	26,505	5	61,258	(45)
				$ 1,517,859	$ (384)	$ 1,401,244	$ 32,825

** The method of determining fair value of derivative contracts is described in Note 2(f).*

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties with good credit standing.

Note 6 Net Investment Income

(a) Investment Income

Net investment income is comprised of the following:

	2007	2006
	($ thousands)	
Net realized and unrealized gains (losses) on investments, including those arising from derivative transactions	$ (56,357)	$ 248,528
Interest income	70,220	54,475
Dividend income	26,806	23,196
Real estate operating income	6,125	4,775
Securities lending income	1,123	849
	47,917	331,823
Investment expenses	(6,000)	(4,718)
	$ 41,917	**$ 327,105**

The following is a summary of the Plan's proportionate share of net investment income by type of investments:

	2007	2006
	($ thousands)	
Fixed Income Securities	$ 14,930	$ 8,721
Canadian Equities	53,878	80,055
Foreign Equities		
United States	(54,011)	67,608
Non-North American	(9,374)	142,381
Alternative Investments - Equities	9,619	8,611
Real Estate Equities	26,875	19,729
	$ 41,917	**$ 327,105**

(b) Investment Expenses

On January 1, 2008, the investment operations of the Department of Finance were transferred to Alberta Investment Management Corporation (AIMCo). AIMCo is a crown corporation and part of the Ministry of Finance. It provides the day to day investment services for the Fund's investment portfolio. AIMCo invests the assets for the long-term benefit of the Plan's membership and in accordance with the investment policies approved by the Board of Trustees. AIMCo manages the majority of the Plan's investments internally through pooled investment funds. However, in order to achieve greater diversification, access external expertise and specialized knowledge and to reduce operational complexity, some investments are managed by third party investment managers selected and monitored by AIMCo.

Investment expenses are recognized on an accrual basis and include those costs and fees incurred to earn investment income of the Plan. The Plan recognizes portfolio management and administration expenses incurred directly by Plan and its share of expenses through pool investment funds. Investment services provided by AIMCo are charged directly to the Plan and to pooled funds on a cost recovery basis. Investment services provided by external managers are charged to pooled funds based on a percentage of net assets under management at fair value or committed amounts. Fees charged by external managers include primarily regular management fees and performance/incentive based fees to the extent recognized.

Investment services provided by AIMCo and external managers include daily trading of securities, portfolio research and analysis, custody of securities, valuation of securities, performance measurement, maintenance of investment systems and internal audit. The Department of Finance provides investment accounting and reporting for the Plan and treasury management services.

Investment expenses as a percentage of net assets are provided below:

	2007	2006
	($ thousands)	
Investment operations of Alberta Finance [1]	1,031	802
External manager fees	4,969	3,916
Total investment expenses	6,000	4,718
Investment expenses as a percentage of net assets	0.24%	0.19%

[1] *Effective January 1, 2008, the investment operations of the Department of Finance were transferred to AIMCo.*

Investment management costs totaling $547 (2006 $419) were paid to Alberta Finance on a cost recovery basis. Pooled funds management and associated custodial fees totaling $5,453 (2006 $4,299), which have been deducted in arriving at in the calculation of net investment income of the Pools are excluded from Plan expenses.

Note 7 Plan Expenses

	2007	2006
	($ thousands)	
General Plan costs	$ 1,626	$ 1,581

General Plan costs, including the costs for benefit administration and delivery, amounted to $147 per member (2006 $152 per member).

Note 8 Accrued Pension Liability

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2006 by the Plan's actuarial consultants, Mercer, and was then extrapolated to December 31, 2007.

The actuarial liabilities were determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Board of Trustees adopted this best estimate.

The major assumptions used were:

	2006 Valuation and 2007 Extrapolation	2004 Valuation and 2005 and 2006 Extrapolations
	%	%
Asset real rate of return		
Next 3 years	3.00	4.00
Thereafter	4.00	4.00
Inflation rate		
Next 3 years	3.70	2.75
Thereafter	2.70	2.75
Investment return (discount rate)	6.70	6.75
Salary escalation rate *		
Next 3 years	6.00	2.75
Thereafter	3.00	2.75
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.00	60.00

* *In addition to merit and promotion*

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Note 8 Accrued Pension Liability, continued...

In accordance with the requirements of the Public Sector Pension Plans Act, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued pension liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting actuarial deficiency as at December 31, 2007 allocated between the pre-1992 and post-1991 periods:

	2007			2006
	Pre-1992	Post-1991	Total	Total
		($ thousands)		($ thousands)
Fair value of net assets	$ 1,179,300	$ 1,330,657	$ 2,509,957	$ 2,477,272
Actuarial adjustment for fluctuation in fair value of net assets	6,800	10,700	17,500	(172,200)
Actuarial value of net assets available for benefits	1,186,100	1,341,357	2,527,457	2,305,072
Accrued pension liability	1,687,400	1,375,900	3,063,300	2,714,200
Actuarial deficiency	**$ 501,300**	**$ 34,543**	**$ 535,843**	**$ 409,128**

The Plan's unfunded liability for service prior to January 1, 1992 is currently being financed by additional contributions of 1.25% of salaries by the Province of Alberta with employers and employees equally sharing the balance of the contributions of 2.28% of salaries as required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows the present value of the Province of Alberta's obligation for future additional contributions was $213.9 million at December 31, 2006.

The Plan's unfunded liability for service after December 31, 1991 is currently being financed by special payments of 2.64% of salaries shared equally between employers and employees until December 31, 2017. The special payments will decrease to 1.38% of pensionable earnings on January 1, 2018 and continue until December 31, 2019.

The additional contributions and special payments have been included in the rates in effect at December 31, 2007 (see Note 1(b)).

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and may materially affect the financial position of the Plan.

	Changes in Assumptions	Sensitivities Increase in Plan's Actuarial Deficiency	Increase in Current Service Cost as a % of Pensionable Earnings *
	%	($ millions)	
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 192.7	1.0%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	58.2	0.7%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	391.5	3.5%

** The current service cost as a % of pensionable earnings as determined by the December 31, 2006 valuation is 16.82%.*

Note 9 Remuneration of Board Members

Remuneration rates as approved by Plan Sponsors are as follows:

Remuneration rates effective October 15, 2007	Chair	Trustee
Up to 4 hours	$ 200	$ 150
4 to 8 hours	350	265
Over 8 hours	550	390

During the year, the following amounts were paid:

	2007	2006
Remuneration		
Chair	$ 4,918	$ 4,000
Trustees (8)	23,259	30,670
Travel expenses		
Chair	2,184	1,951
Trustees (8)	18,034	21,545

Trustees are paid for attending and preparing for Board and Committee meetings and for time spent on specified UAPP business upon the approval of the Board. Preparation time for a meeting is remunerated at no more than 4 hours.

Note 10 Comparative Figures

Comparative figures have been reclassified to be consistent with the 2007 presentation.

Note 11 Approval of Financial Statements

These financial statements were approved by the Board of Trustees of the Plan.

“The UAPP Fund’s market value at the end of 2007 was $2,510 million.”

SCHEDULE A
SCHEDULE OF INVESTMENT RETURNS

For the year ended December 31, 2007

The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the Plan for the one- four- and eight -year periods ended December 31, 2007 are as follows:

	One Year Return				Compound Annualized Return	
	2007	2006	2005	2004	4 Year	8 Year
Time-weighted rates of return						
Short-term fixed income	10.2	4.2	2.8	2.2	4.8	4.4
DEX 91-Day T-Bill Index	*4.4*	*4.0*	*2.6*	*2.3*	*3.3*	*3.6*
Long-term fixed income	2.1	4.2	13.8	10.4	7.8	9.1
Long-term Fixed Income Index (1)	*2.9*	*3.5*	*13.8*	*10.3*	*7.8*	*9.1*
Real rate of return bonds	1.7	(2.9)	15.2	17.6	7.6	9.2
DEX Real Return Bond Index	*1.6*	*(2.9)*	*15.2*	*17.5*	*7.5*	*9.4*
Total fixed income	2.3	1.7	14.2	13.6	7.8	8.9
Fixed Income Index	*2.9*	*1.2*	*14.2*	*13.2*	*7.7*	*8.8*
Canadian equities	11.2	18.4	24.4	14.9	17.1	9.6
Canadian Equity Index (2)	*9.1*	*17.3*	*23.7*	*14.9*	*16.1*	*8.4*
United States equities	(11.0)	15.2	2.3	4.0	2.2	(2.6)
US Equity Index (3)	*(11.1)*	*15.8*	*2.1*	*4.3*	*2.3*	*(3.0)*
Europe, Australasia and Far East	(4.0)	26.4	11.8	11.7	10.9	1.0
MSCI EAFE Index	*(5.7)*	*26.3*	*10.0*	*12.0*	*10.0*	*0.3*
Emerging Markets	16.6	31.0	30.4	20.1	24.4	10.1
MSCI Emerging Markets Free Index	*18.5*	*32.5*	*30.3*	*17.3*	*24.5*	*9.9*
Total foreign equities	(5.8)	22.0	9.0	8.9	8.1	0.1
Foreign Equity Index (4)	*(6.6)*	*22.1*	*7.9*	*8.9*	*7.6*	*(0.4)*
Real Estate	21.0	21.3	29.9	n/a	n/a	n/a
IPD Large All Property Index	*16.7*	*18.6*	*19.4*	*n/a*	*n/a*	*n/a*
Private Income	15.3	n/a	n/a	n/a	n/a	n/a
CPI plus 6%	*8.4*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Timberland	59.0	n/a	n/a	n/a	n/a	n/a
CPI plus 4%	*6.4*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Total Alternative investments	18.8	22.6	18.3	4.5	n/a	n/a
CPI plus 6%	*8.4*	*7.4*	*8.0*	*n/a*	*n/a*	*n/a*
Overall	1.7	15.2	14.4	11.7	10.6	6.1
Policy Benchmark	*0.8*	*14.5*	*13.4*	*11.8*	*10.0*	*5.5*

(1) DEX Long Bond and Bond Universe indices.
(2) S&P/TSX Capped Composite and Bank of Montreal Small Cap indices.
(3) S&P 500 and Russell 2500 indices.
(4) S&P 500, Russell 2500, MSCI EAFE and MSCI Emerging Markets Free indices.

SCHEDULE B
SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES

For the year ended December 31, 2007

	Plan's Share	
	2007	2006
	($ Thousands)	
Deposits and Short-term Securities	$ 22,662	$ 18,678
Fixed Income Securities (a)		
Government of Canada, direct and guaranteed	246,646	282,861
Provincial		
Alberta, direct	14	25
Other provincial, direct and guaranteed	192,389	160,066
Municipal	18,012	11,859
Corporate, public and private	200,064	209,279
	657,125	664,090
Receivable from sale of investments and accrued investment income	5,618	4,232
Accounts payable and accrued liabilities	(311)	(100)
	5,307	4,132
	$ 685,094	$ 686,900

(a) Fixed income securities held as at December 31, 2007 had an average effective market yield of 4.06% per annum (2006: 4.22%). The following term structure of these securities as at December 31, 2007 was based on the principal amount.

	2007	2006
	%	
under 1 year	1	1
1 to 5 years	4	6
5 to 10 years	17	13
11 to 20 years	24	27
over 20 years	54	53
	100	100

SCHEDULE C
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN CANADIAN EQUITIES

For the year ended December 31, 2007

	Plan's Share	
	2007	2006
	($ Thousands)	
Deposits and Short-term Securities	$ 6,928	$ 6,396
Public Equities (a) (b)		
Consumer discretionary	36,442	29,094
Consumer staples	16,530	14,161
Energy	117,543	101,591
Financials	138,465	132,286
Health care	2,379	2,248
Industrials	40,733	37,821
Information technology	24,114	20,501
Materials	72,570	65,619
Telecommunication services	26,790	27,646
Utilities	6,557	3,568
	482,123	434,535
Pooled investment funds	452	880
	482,575	435,415
Private Equity Pool	1,521	5,852
Receivable from sale of investments and accrued investment income	6,313	8,231
Accounts payable and accrued liabilities	(4,033)	(389)
	2,280	7,842
	$ 493,304	$ 455,505

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investments in Canadian public equities includes the notional amount of Canadian equity index swaps and futures contracts totaling $183,715 (2006 $198,741).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard and Poor's Toronto Stock Exchange (S&P/TSX) Composite Index.

SCHEDULE D
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN UNITED STATES EQUITIES

For the year ended December 31, 2007

	Plan's Share	
	2007	2006
	($ thousands)	
Deposits and Short-term Securities	$ 6,952	$ 2,221
Public Equities (a) (b)		
Consumer discretionary	45,672	56,988
Consumer staples	46,782	42,492
Energy	59,390	46,985
Financials	87,470	110,983
Health care	62,033	62,867
Industrials	59,271	59,527
Information technology	82,655	78,984
Materials	20,195	17,490
Telecommunication services	16,487	16,003
Utilities	20,003	17,842
	499,958	510,161
Pooled investment funds	1,288	259
	501,246	510,420
Receivable from sale of investments and accrued investment income	2,282	784
Accounts payable and accrued liabilities	(12,607)	(1,347)
	(10,325)	(563)
	$ 497,873	$ 512,078

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investments in United States public equities includes the notional amount of US equity index swaps and futures contracts totaling $331,033 (2006 $346,806).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

SCHEDULE E
SCHEDULE OF EFFECTIVE NET INVESTMENTS IN NON-NORTH AMERICAN EQUITIES

For the year ended December 31, 2007

	Plan's Share	
	2007	2006
	($ thousands)	
Deposits and Short-term Securities	$ 11,136	$ 21,231
Public Equities (a) (b)		
Consumer discretionary	62,443	76,218
Consumer staples	38,909	37,124
Energy	49,032	43,353
Financials	124,402	175,225
Health Care	37,424	39,917
Industrials	80,150	77,489
Information Technology	37,416	38,267
Materials	48,542	45,568
Telecommunication services	46,022	36,993
Utilities	26,770	29,392
	551,110	599,546
Pooled investment funds	40,588	34,072
	591,698	633,618
Receivable from sale of investments and accrued investment income	3,973	12,106
Accounts payable and accrued liabilities	(7,486)	(21,099)
	(3,513)	(8,993)
	$ 599,321	$ 645,856

(a) Direct investments and derivative contracts are classified based on the risk exposure to the above asset mix categories. The Plan's effective net investment in Non-North American public equities includes the notional amount of EAFE equity index swap and futures contracts totaling $132,092 (2006 $135,329).

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index. The following is a summary of the Plan's share of non-North American public equities by country based on geographic location of stock exchange on which stocks were purchased:

	Plan's Share	
	2007	2006
	($ thousands)	
United Kingdom	$ 105,039	$ 131,235
Japan	96,714	114,027
France	57,127	62,027
Germany	52,726	42,914
Switzerland	36,515	33,720
Australia	23,596	19,541
Netherlands	22,908	31,611
Spain	21,305	23,269
Italy	18,238	20,308
Hong Kong	11,833	11,802
Other	105,109	109,092
	$ 551,110	$ 599,546

SCHEDULE F
SCHEDULE OF INVESTMENTS IN REAL ESTATE

For the year ended December 31, 2007

	Plan's Share	
	2007	2006
	($ thousands)	
Deposits and Short-term Securities	$ 179	$ 62
Real Estate (a)		
Office	72,310	59,281
Retail	50,875	35,025
Industrial	23,340	15,184
Residential	8,939	5,776
	155,464	115,266
Pooled investment funds	5,845	4,134
Receivable from sale of investments and accrued investment income	77	76
	$ 161,565	$ 119,538

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

	Plan's Share	
	2007	2006
	($ thousands)	
Ontario	$ 83,900	$ 66,101
Alberta	54,994	36,028
Quebec	13,323	10,889
British Columbia	3,247	2,248
	$ 155,464	$ 115,266

Want to estimate your own UAPP pension? Go to www.uapp.ca and click on the Retirement Planner icon. For Login and Password enquiries, please call ACS/Buck at 1-866-709-2092.

Active Management
Managing the investments of a portfolio with the objective of outperforming the return of its benchmark. Active management generally takes two forms – security selection or change in asset allocations within the prescribed ranges. Security selection is the buying and selling of particular securities to earn a return above a market index. Asset allocation refers to changing asset class or sector weights to earn a return above what would be available from maintaining the asset class or sector weight in the benchmark.

Asset Mix/Allocation
The allocation of a pension fund's investments among various asset classes such as bonds, equities, real estate, etc.

Benchmark
A standard against which investment performance is measured.

Bonds
Certificates of indebtedness issued by corporations, municipalities or governments on which the issuer promises to pay a specified amount of interest for a specified length of time and to repay the loan on maturity or the expiration date. A bond purchaser is lending money to the issuer. Bonds have terms to maturity greater than one year.

Emerging Market
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

Equities/Common Stock
Units of ownership of a corporation where owners typically are entitled to vote on the selection of directors and other important matters as well as to receive dividends on their holdings. In the event that a corporation is liquidated, the claims of secured and unsecured creditors and owners of bonds and preferred stock take precedence over the claims of those who own common stock. The liability of owners of equity is limited to the amount paid for the stock.

External Manager
A third-party firm contracted by the Investment Manager to provide investment management services.

Glossary – Terms

Large Cap
"Large cap" refers to firms with large market capitalization. Market capitalization is simply the market value of a corporation's outstanding shares. In the US market, this refers to companies with market capitalization between $10 billion and $200 billion. These are the mega companies of the financial world: ExxonMobil, Microsoft, Citigroup, Wal-Mart and General Electric. Classifications such as "large cap" or "small cap" are only approximations that change over time.

Passive Management
Managing the investments of a portfolio with the objective of matching/replicating the performance of a given market index or benchmark.

Policy Benchmark/Return
The Policy Benchmark is a composite return based on the percentage of a pension plan's fund allocated by policy to each asset class and the market index return for that class. It is used to measure the plan's relative performance.

Pooled Fund
A fund in which money from two or more investors is accepted for investment and where units allocated to each investor serve to establish the proportionate interest at any time of each investor in the assets of the fund.

Private Income/Infrastructure
Private Income opportunities represent privately-negotiated investments in private and publicly traded entities. These investments are selected, structured and managed to provide: (i) a current income component of total return, (ii) diversification and (iii) an inflation hedge. These investment opportunities are typically capital-intensive and may include infrastructure projects (long-life assets used to provide essential services), bridge loans and corporate finance arrangements (with a current income component of total return). Most infrastructure assets are illiquid assets.

Real Return Bond
A fixed-income security (a bond) that generates a specified real rate of return. The real interest rate is the nominal (set) interest rate minus inflation.

Glossary – Terms

Small Cap
"Small cap" refers to firms with relatively smaller market capitalization. Though there is no rigorous definition, in the US, a company with a market capitalization of between $300 million and $2 billion is considered a small cap. The definition can change over time.

Statement of Investment Policies and Goals (SIP&G)
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

Swap
A privately-negotiated contract between two parties to exchange a stream of periodic payments on certain dates in the future based on an underlying investment. The size of these payments is normally determined in relation to a nominal, underlying amount, called the notional amount. The underlying security, representing the notional amount, is not exchanged between counterparties. Swaps available in and between all financial markets include, but are not exclusive to, equities, currencies, fixed income and commodities.

Glossary – Terms

Timberland
Timberland investments are made primarily in privately-owned areas of woodland; that is, forested areas consisting of both hardwood and softwood species. When responsibly managed, timberland investments are a renewable and sustainable resource. Timberland investments are illiquid assets.

Total Return
Interest income plus price increases or decreases.

Treasury Bill/T-Bill
A short-term government debt security.

Unfunded Liability
When the actuarial valuation determines that a pension fund's accrued liabilities exceed the assets available for the payment of benefits.

YMPE (Year's Maximum Pensionable Earnings)
The maximum earnings set each year by the Canada Pension Plan (CPP) up to which employers and employees are required to make CPP contributions.

The YMPE for recent years is shown below:

2003	$ 39,900	2006	$ 42,100
2004	$ 40,500	2007	$ 43,700
2005	$ 41,100	2008	$ 44,900

Glossary – Indices

BMO Small Cap Blended Index
An index maintained by BMO Nesbitt Burns that is made up of 400 representative Canadian public companies and income trusts with market capitalizations of less than 0.1% of the S&P/TSX Composite total capitalization. This index is market capitalization weighted.

Consumer Price Index (CPI)
The Consumer Price Index (CPI) is an indicator of the prices encountered by consumers. It is obtained by calculating, on a monthly basis, the cost of a fixed "basket" of commodities purchased by a typical consumer during a given month. The CPI is published by Statistics Canada and is a widely used indicator of inflation (or deflation) in Canada.

Glossary – Indices

DEX 91-Day T-Bills Index
An index maintained by PC Bond that represents the performance of Government of Canada 91-day Treasury Bills.

DEX Long Bond Index
An index maintained by PC Bond that tracks the performance of most marketable, domestically issued, Canadian bonds with terms to maturity of more than 10 years. This index is comprised of Canada's, provincial, municipal and AAA-through BBB-rated corporate issuers.

DEX Long Government Bond Index
An index maintained by PC Bond that tracks the performance of bonds issued by the government of Canada (including crown corporations), provincial governments (including provincially guaranteed securities) and municipal governments with terms to maturity of more than 10 years.

DEX Real Return Bond Index
An index maintained by PC Bond that tracks the performance of real return (inflation-linked) bonds issued in Canada with terms to maturity of more than one year and a minimum credit rating of BBB (low).

DEX Universe Bond Index
An index maintained by PC Bond that tracks the performance of most marketable, domestically issued, Canadian bonds with terms to maturity of more than one year. This index is comprised of Canada's, provincial, municipal and AAA-through BBB-rated corporate issuers.

ICREIM/IPD Large Institutional All Property Index
An index maintained by the Institute of Canadian Real Estate Fund Managers/International Property Databank that measures the total return from the six largest Canadian peer funds, which individually have real estate portfolios valued greater than $1.5 billion.

MSCI EAFE (Morgan Stanley Capital International – Europe, Australasia, Far East)
An index maintained by the MSCI Index Committee that is designed to measure developed public market equity performance, excluding the US and Canada. As of December 2005, the MSCI EAFE Index consisted of 21 developed market country indices representing approximately 85% of the market value of securities listed in the included countries.

Glossary – Indices

MSCI Emerging Markets Net Index
An index maintained by the MSCI Index Committee that is designed to measure emerging public market equity performance net of withholding taxes. As of December 2005, the MSCI Emerging Market Index consisted of 25 emerging market country indices.

Russell 2500 Index
An index maintained by the Frank Russell Company that measures the performance of the 2500 smallest companies in the Russell 3000. The Russell 2500 is taken to represent small and mid cap US equities.

S&P/TSX Composite Capped Index
An index maintained by the S&P/TSX Canadian Index Policy Committee that measures the return on the largest companies and trust units listed on the Toronto Stock Exchange. Any stock in the S&P/TSX Capped Composite Index whose float capitalization exceeds 10% of the Index is capped at 10% during the quarterly rebalancing process.

Standard & Poor's 500 Index
An index maintained by the Standard & Poor's Index Committee that that includes a representative sample of 500 leading operating companies in the US economy to create a broad market portfolio representing approximately 75% of the market capitalization of US public equities.

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